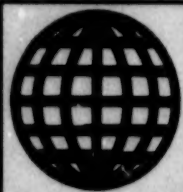


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3 JULY 1990



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HUNGARY

SZDSZ Representative Dornbach Interviewed

25000735C Budapest HETI VILAGGAZDASAG in Hungarian 5 May 90 p 79

[Interview with SZDSZ [Alliance of Free Democrats] representative, lawyer Alajos Dornbach by Andras Lindner and Zoltan Horvath; place and date not given—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] He is the son of a religious person who was once a teacher at Szilvasvarad and later became the cantor of the Franciscan church in Buda. Among close friends and in the broader circles of the profession he is simply called "Lojzi." The name of Alajos Dornbach, 54, has been closely tied to the democratic opposition for a decade and a half. Dornbach was raised by a deeply Catholic family. "Prior to 1956 it would have been inconceivable for me to have Communist friends," he recalls. This was certainly made easier by the fact that he was educated by the Cistercians at Eger, and graduated from the Piarist fathers at Kecskemet. He was admitted to the university instantly and graduated from law school in Budapest in 1958. "I already had my diploma, when they slowed down my career for years as a result of my 1956 revolutionary committee membership, and I was able to function only as a lawyer's candidate. I was declared 'blameless' only in 1964." A lawyer's cooperative in Gyongyos became his workplace for nine years; it was there that his contact with the democratic opposition was established. Soon he was known as the "lawyer of the opposition." He took part in the actions of the Fund to Support the Poor [SZETA], and provided legal defense for the authors and distributors of samizdat publications. In 1983 he agreed to direct the then established Soros Foundation, and at the same time the representation in Hungary of Gyorgy Soros, the famous stock marketeer and investor. The well known specialist of property and probate law joined the Historical Justice Committee in the summer of 1988—another political action. He still heads the legal section of that committee. Together with Miklos Vasarhelyi, Dornbach initiated the review of the Imre Nagy trial. He represented the convicts and their heirs in the proceeding. In addition to the above, Dornbach is a member of the Independent Lawyers' Forum, and as such he filed suit against the Hungarian Socialist Workers Party [MSZMP] and against its firm NEXT 2000, established for the purpose of salvaging property. The founding member of the Alliance of Free Democrats [SZDSZ] is now also seated in Parliament as a candidate who won on that party's slate. "My entire life has been affected by the fact that I grew up in the Bukk mountains; it is no coincidence that even today I feel best surrounded by nature, in the forest," he says. The family has a refurbished peasant house in Paloznak. Both of his children are high school students, his wife is the editor of the New Hungarian Quarterly.

[HVG] You are well known to be a religious person. Why are you not strengthening the ranks of one of the Christian right of center parties?

[Dornbach] The year 1956 was the definitive event of my life; until that time I pursued a cautious lifestyle. Imagine, at that time in early October I was even elected as secretary of the Democratic Youth Organization [DISZ—predecessor to the Communist Youth Organization, KISZ]. In the course of that event I was scared when I admitted that I was not even a member of DISZ. October 1956 was a great melting pot: Although I was raised in a deeply Catholic family, I discovered that human development is not necessarily determined by outlook. Some lifelong friendships were forged in those days among Catholics, Jews, atheists, and communists. Subsequently I belonged to a group within the democratic opposition. I felt I had no reason to leave them. The more determined resistance manifested by the SZDSZ attracted me more.

[HVG] There is something else we would like to have explained: During the fall of 1956 you were a member of the revolutionary committee and served as a national guard, yet, despite this fact, they permitted you to receive your diploma.

[Dornbach] The fact that a person served as national guard was no cause for exclusion. I was subjected to disciplinary action only in the spring of 1958; I received a final warning.

[HVG] Did it not occur to you to escape from the country?

[Dornbach] Of course it did. I said farewell to my parents, but then the night before leaving I talked it over with a good friend of mine—and stayed.

[HVG] When it finally appeared that "you had gotten away" with things, you were arrested in 1959 and spent two months at Gyorskocsi Street. In the end you were still able to stick to your career. Even though it was precisely in those days that the public learned that 3,000 lawyers were driven away from their profession. Why were you so lucky?

[Dornbach] It sufficed that for five years I could not obtain a certificate to the effect that I was "blameless." On the other hand it is true that I was able to practice as a lawyer's candidate at Gyongyos. I got there based on competition, at the advice of the Gyongyos chamber chairman [as published], a family friend. In those days rescue missions were performed in several instances by the attorneys' division in the Justice Ministry and at the placement group at the university. Many were helped.

[HVG] How did you become the number one lawyer of the 1956 politically persecuted persons while operating out of Gyongyos?

[Dornbach] This began in 1965 perhaps, when I agreed to defend Ferenc Kunszabo. He was charged with the publication of sociographic writings with an inciting

content. He was acquitted, and thereafter some others sought me out: That is how I became the "family lawyer"—in many instances friend—of the intelligentsia regarded as being in the opposition.

[HVG] Were you able to make a living out of that?

[Dornbach] I have never accepted a penny for political cases. Truly, I was not too interested in money. My practice was large enough for me to accept some of the cases free of charge.

[HVG] At present you reside in a nicely furnished, spacious condominium. As you said, you acquired it partly as a result of an inheritance. It could not have been cheap even that way. You certainly must have your view concerning probate law in effect today.

[Dornbach] Our probate law is correct, but the fees that must be paid after bequests are so high that they are unrealistic.

[HVG] Could your wealth be compared to that of lawyer-politician Jozsef Torgyan's?

[Dornbach] I have no idea, and to tell the truth I am not interested in how wealthy Torgyan is.

[HVG] You are well known as a specialist in probate matters. Who were your clients?

[Dornbach] For example: the heirs of Jozsef Lengyel. His case was sensitive because the remaining unpublished writings of the author contained much information that compromised the system. I also served as Mrs. Mihaly Karolyi's lawyer for years. Doubtless I had the greatest professional interest in regard to property law cases.

[HVG] You are a founding member of the SZDSZ. What was your initial thought when you heard the second round election results?

[Dornbach] I will not deny it: It was a bad feeling. I counted on the fact that we would have between 20 and 40 fewer mandates than the Hungarian Democratic Forum [MDF], but in the end the difference was much greater. Insofar as my representative mandate is concerned, I was prepared for the popular Gyorgy Banffy to receive more votes. And that's how it was.

[HVG] We are asking you as a popular, sought after lawyer: do you agree with the idea that the Lawyers' Chamber operates as a closed club to this date?

[Dornbach] The fact that they prohibited private law practice is sheer insanity, and most people needed connections to get into the Chamber. I will not deny the fact that in those days, in 1958, I was also "slipped in" this way.

[HVG] Now at the age of 54 you will make a change. Previously there were rumors that you had a chance of becoming the vice president of Parliament, but in the end, based on the latest discussion among the parties, the SZDSZ will not provide the first vice president. You were elected to be part of the leadership of the SZDSZ parliamentary faction. Are you willing to surrender your practice for politics?

[Dornbach] For a while I must say farewell to my lawyer's career. But I am unable to perceive being a professional politician as my lifelong avocation. I am leaving with the idea that I will return. My clientele is so large that I will have no difficulty in returning. Even now I can accept only one quarter of those who seek my services.

Slovaks Protest 'Hungarianization' of Southern Slovakia

25000740F Budapest NEPSZABADSAG in Hungarian
22 May 90 p 3

[MTI report]

[Text] Another Slovakian nationalist demonstration took place on Sunday at a square in the center of the city of Pozsony [Bratislava]. Several thousand demonstrators demanded that the Slovakian Parliament declare that the Slovakian language is the official language throughout the area.

Let them debate the recommendations made in the memorandum of Nagysurany [Slovakian name not known], let them declare Slovakia a sovereign "republic of the Slovakian nation" whose area constitutes a single and indivisible whole, the participants demanded. The demonstration was organized by the Slovakian National Party, the Freedom Party, the Independent Party of Slovaks, the Matica Slovenska, the Association of Slovakian Educators, and the Stur Society.

It should be recalled that Slovaks residing in Southern Slovakia prepared a memorandum in Nagysurany in which they demand that the Slovakian language be made the official language, among other matters. The memorandum also says that in Southern Slovakia they are "Hungarianizing the Slovaks"; Slovaks are being forced to move from their places of residence. The authors of the memorandum reject "efforts by which Southern Slovakia is made to appear in a provocative manner as an area of the Hungarian nation and state." The authors also indicate that an examination is needed as to why the knowledge of the Slovakian language is so weak among students studying in Hungarian schools in Slovakia.

A Czechoslovak news agency report reveals that a group of demonstrators marched to the headquarters of the Pozsony television and tried to enter the building after the demonstration.

Interior Ministry Personnel Chief on Mass Exodus

25000739H Budapest MAGYAR NEMZET
in Hungarian 19 May 90 p 7

[Interview with Ministry of the Interior personnel chief Ferenc Szabo by "kbp" in Budapest; date not given: "The Apparatus Promises Loyalty"—first paragraph is MAGYAR NEMZET introduction]

[Text] The brand new, elegant sign and the hyper-modern waiting room for clients at the freshly refurbished wing of the Interior Ministry on Jozsef Attila Street conjures up images of the future. The new minister takes office next week. How many people have left the Interior Ministry recently? With what kinds of hopes and expectations does the staff look forward to the changing of the guard? We asked these questions of Ferenc Szabo, head of the personnel department at the Interior Ministry. He had this to say:

[Szabo] The general malaise, the sense of existential uncertainty, did not begin with the Duna-Gate case at the Interior Ministry. That negative psychosis which characterized the public service in general began at our place, and particularly among the police in 1987. The executive power, but in particular the armed body, reacted in a very sensitive manner to the shaken stability, and later to the mass of negative criticism and accusations leveled at the state security service. The number of those who left the armed body voluntarily, at their own request, has increased, and they did so not always because they received a more favorable job offer.

[kbp] Altogether how many people left the Interior Ministry, the police?

[Szabo] More than 6,000 people left, but the truth is that this figure includes everything, ranging from retirements to dismissals. What raises more concern is the trend. For instance: During the second half of 1989 about 1,200 people were discharged on their own volition, as many as had been discharged during the entire previous year. And in the first quarter of 1990 we "reached" the level of the previous half year average in the course of three months. Within this number, about 300 members of the ministry's central staff have left beginning in the second half of 1989, not including the state security people.

[kbp] Did the mass exodus continue beginning in early April?

[Szabo] I feel as if the staff has relaxed in recent weeks insofar as its own fate, its own future is concerned. Quite naturally, persons occupying certain leadership positions are counting on the exchange of personnel, but a large part of the police and council staff feel that their work will be needed by the new government. Perhaps the situation has improved since they heard from several responsible politicians that there will not be any kind of mass layoff.

[kbp] What do they expect from the new leadership?

[Szabo] First of all they expect a favorable turn in their own fortunes. As Zoltan Gal said: The new minister finds a loyal staff here. We are aware of the fact that it takes time to resolve the concerns. I feel that some of those who have left the Interior Ministry, the state administrative career, because they were embittered, will return if changes are made.

POLAND

Parliamentary Peasant Party Deputies' Clubs Merge

90P20043A Warsaw TRYBUNA in Polish 11 May 90
p 3

[Text] At the conclusion of a closed meeting of peasant deputies, Jozef Zych and Roman Bartoszcze announced that at the session a decision was made about merging the existing deputies' clubs PSL "O" [Polish Peasant Party "Rebirth"] and PSL [Polish Peasant Party]. Therefore, a Polish Peasant Party Deputies' Club was established, of which deputy Jozef Zych, former PSL "O" deputies' club chief, was elected chairman. The Polish Peasant Party Club numbers at present 81 deputies. In addition to the PSL members, deputy Stanislaw Majdanski, president of the PSL Voivodship Administration in Zamosc, has joined it from the OKP [Citizens Parliamentary Club]. PSL president Roman Bartoszcze said that senators Stanislaw Chrobak and Henryk Stoklosa are also PSL members.

YUGOSLAVIA

Montenegrin National Party Leader on Federation Concept

90BA0137B Belgrade NIN in Serbo-Croatian
20 May 90 pp 22-23

[Interview with Novak Kilibarda, president of the Montenegrin National Party, by Milorad Vucelic; place and date not given: "What the National Party Wants"]

[Text] The founding assembly of the National Party was held in Montenegro's capital on 12 May. In the Technical School's overcrowded auditorium, this political gathering, which also had a very prominent artistic dimension, established a new political party, and elected Dr. Novak Kilibarda to head it as the party's president.

In concluding the political part of the meeting, Kilibarda called this founding assembly an assembly of freedom as well, and among other things said:

"I would designate our assembly today with the word 'Freedom!' This is the first public political meeting under the Montenegrin flag in the last 50 years at which there has been no sign of ideological surveillance. This is also the first public political meeting in postwar Montenegro at which Montenegrins can freely say that they belong to the nation that Njegosh belonged to.

"I propose to the members of the National Party that they introduce the norms of national culture and the elements of Christian forgiveness and national reconciliation in all of their proposals and work. Monuments must not be destroyed; they can only be found more appropriate locations than the ones that they have. The names of cities and streets can be changed, but without the use of physical crudeness and passion. The National Party is obligated by the name it bears to have a rational attitude toward everything that must be changed. The National Party is the party of all religions and nations, and its door is wide open both to Serbs, Montenegrins who want to be recorded as such, Moslems, and Croats and Albanians. Our wisdom and political stability will depend to a great extent on how much we can attract all nations and religions.

"In thinking about the further popularization of our positions, and in preparing for the upcoming multiparty elections, let us not forget next year's Great Assembly of the National Party, at which we will assess the purpose of our founding. Welcome to next year's Day of St Vasilije Ostroski, the protector both of Montenegrins and of all religions and nations who approach him in prayer."

Immediately after the conclusion of the founding assembly, we addressed several questions to the party's newly elected president, Novak Kilibarda. In response to our first question, about the nature of his party and the situation in which it was emerging, Kilibarda answered as follows:

[Kilibarda] We are founding the National Party at the time of the disappearance of communist regimes in Europe. We are not the party of one nation, but rather the party of a sovereign people and the sovereign individual.

The National Party calls attention to the fact that the past population censuses in postwar Yugoslavia, especially in Montenegro, have been irregular, because the ruling regime manipulated the national identity of a large number of citizens. The party will advocate that the next census be performed legally.

[Vucelic] It is said that your party has a pro-Serbian orientation.

[Kilibarda] The National Party is not pro-Serbian, as it is accused of being by Montenegrin separatists; instead, we have a purely *Serbian* orientation because we are Serbs! We believe that the spiritual past of the two Serbian states, Montenegro and Serbia, cannot be separated, as was done by the Comintern's proclamation of the Montenegrin nation.

The National Party will advocate removing the mask from the Titoist interpretation of Montenegrin history, in order to restore the soul of the Montenegrin people. Montenegrins are a Serbian people, which built its statehood in a natural way; that statehood remains as a lasting historical and cultural achievement. The fact that Montenegrins decided of their own free will, at the

Podgorica Assembly, to enter as united Serbs into a state of Serbs, Croats, and Slovenes does not destroy the essence of Montenegrin statehood. That statehood was only transferred into a new state, Yugoslavia. That is also how Serbia attached its statehood to the same state. On both sides, Serbs have preserved their state-creating historical awareness in their own awareness.

[Vucelic] Montenegrin separatists, both today and yesterday, have said that after WW I Serbia subjugated and occupied Montenegro.

[Kilibarda] Scholars and serious people cannot pay any attention to the slanders by Montenegrin separatists that Serbia subjugated Montenegro after WW I. The separatists are counting on people who can sense the concepts of statehood, people, and nation more easily than they can express them rationally, and so they offer them falsehoods such as the one that the National Party is selling Montenegro to Serbia. That is how they and their protectors are recommending to Montenegrins the autocephalism of the church, the Montenegrin language, and the other nonsense that was adroitly disseminated by the Montenegrin Ustasa, Savic Stedimlja.

[Vucelic] Is there any basis for comparing the Montenegrin Greens [supporters of Montenegrin independence in the early 20th century] with the Stedimlja Montenegrin separatists and the current ones?

[Kilibarda] The National Party is calling attention to the fact that the Stedimlja separatists should not be casually identified or even compared with the old Greens. The Greens did not deviate from Slavism, Serbism, and Orthodoxy, but instead, carried away by their glorious past, wanted to have their own independent state, a Serbian Montenegro, and a Petrovic dynasty. One must understand people who had a hard time getting used to rulers from a different dynasty after St. Petar, Njegos, and King Nikola. If the Greens' political views were short-sighted, their illusion was honest, historically reasoned, and deserving of respect. The Stedimlja separatists, however, were servants of a power which for a long time has had a plan to break up and neutralize Serbian Orthodoxy, the extent of which Njegos emphasized in "Mountain Wreath" [GORSKI VIJENAC]. Accordingly, the separatists and their sponsors may be able to manipulate some illiterate Montenegrins, but they have few chances of gaining ground among the mainstream of the Montenegrin people. Montenegrin separatism is a natural defect of the Montenegrin people: it is like an eczema that constantly irritates an organism, but fortunately can never master that organism!

[Vucelic] What is your attitude toward the Yugoslav state system and toward the federation?

[Kilibarda] The National Party feels that only a federal system suits all peoples of Yugoslavia. But if some present republics do not want such a federation, as Croatia and Slovenia apparently do not, we think that a federal state can be made out of the republics that do want it. Naturally, a referendum should be conducted as

an unavoidable prerequisite for the stability of that possible state. If Macedonia and Bosnia-Herzegovina do not support Yugoslavia, the National Party thinks that a Yugoslav federal republic should be formed from Montenegro and Serbia. The common language, religion, and alphabet, transit and natural resources (the sea, granaries, energy, raw materials, etc.), will be factors in the firm stability of such a state. And its geopolitical position will really be superb!

Consequently, we are not in favor of Yugoslavia at any cost, but rather in favor of a state in which free peoples will join in a natural manner. The two federal constituents, Montenegro and Serbia, would be equal in such a federal state. Naturally, the people of Montenegro and Serbia would document such a decision by a referendum.

[Vucelic] What would this federation's attitude be toward the Serbs remaining outside its borders?

[Kilibarda] It should be particularly emphasized that the federal union of Serbia and Montenegro would constitute a maternal protectress for the Serbs remaining outside its borders. If we were strong, our national minorities in the neighboring states would also be stronger! And our people desire to protect its countrymen, because it became bitter under Tito's rule, when no one cared about our minorities in Albania, Bulgaria, and Romania. All those who are thinking about a restored Austria-Hungary in the form of some new Catholic Danubian state would have to take seriously a strong Serbian state, a federal state. It is well-known that a federal union of Serbia and Montenegro would constitute a strong Balkan state holding one of the keys to the Adriatic Sea, and one of the most significant Balkan transit points.

[Vucelic] How do you view the relationship of Serbism and Montenegrinism?

[Kilibarda] In "Mountain Wreath" Njegos harmonized Montenegro's "continual struggle" and Karadjordje's uprising, which took place along the ideological course of that struggle. The "dedication to the dust of father Serbia" grows into the ideological and aesthetic framework of the hunt for renegades. Njegos formed his "Serbian mirror" from songs about the Montenegrin struggle and Visnjic's poem about the First Serbian Uprising. Thus, Serbism is a category that unites all Serbs, and Montenegrinism has the level of a "diferentia specifica." Montenegrinism is in Serbism what Spartanism was in Hellenism.

We dedicated our founding assembly to St. Vasilije Ostroski, a major historical figure, and a miraculous legend from which Montenegrins have sought a spiritual mandate at all crucial times. St. Vasilije was from Herzegovina by birth, and all religions pray to him. We sat under a flag that does not have a five-pointed star. On the day of his birth, 12 May, every year the National Party will hold its Great National Assembly, because, as I said, that is the Day of St. Vasilije Ostroski!

Role of Vatican, Croatian Church in Kosovo Conversions

90BA0138A Belgrade POLITIKA in Serbo-Croatian
16 May 90 p 11

[Article by Aleksandar Antonic: "The Vatican's Feelers in Kosovo"—first paragraph is POLITIKA introduction]

[Text] The Catholic leaders of our western republics are not standing aside.—Support for the plan on creating a "Great Albania."—Particular activity at the time of the most actions by Albanian terrorists in Kosovo.—Nuns in Kosovo are engaged in unusual work including the organization of "small clinics in monasteries."

The news that Albanian Moslems in Kosovo are beginning to convert to Catholicism has certainly surprised many people, but not by any means the Vatican and the Catholic hierarchy in Yugoslavia. According to available information, most such cases have been in Urosevac, Istok, and Djakovica, right in the strongpoints of the separatists. This is not just a continuation of the "candle demonstrations" that the separatists recently organized in some Kosovo towns, but of a whole series of incidents whose connections lead from the Vatican and from the Catholic leaders of our western republics.

Expanding the Catholic Influence

According to information from the "Italo-Albanian Agency 'Besa-Fede'" in Rome, published at one time in the official Vatican organ OSSERVATORE ROMANO, Albanian Catholics in Yugoslavia are assembled in the Skopje-Prizren and Bar archbishoprics. The former is responsible for Catholics in Kosovo. Its congregation is believed to consist of about 60,000 souls, of which around 50,000 are Albanians, while the remainder are Croats, especially residents of Janjevo, descendants of miners who arrived back in the Middle Ages. There are around 20,000 Catholics in the Bar archbishopric and almost all of them are Albanians. There are also other Albanian Catholics throughout Yugoslavia, predominantly in Croatia; it is estimated that there are around 100,000 of them in the whole country. Many of them are not "cadres" to be underestimated.

The Skopje-Prizren bishopric has its own seminary and a religious classical high school in Skopje whose students continue their studies in Zagreb. Croats usually make up half of the seminarians, and Albanians the other half.

The religious journal DRITA is published for Albanian Catholics in Urosevac. This journal is described as a "means of communication with believers from dioceses abroad," with those in the USA and Western Europe, especially in southern Italy and Sicily, where there are several colonies of descendants of long-ago immigrants from Albania. DRITA has published poetry in Albanian by Karol Vojtila, written before he became pope.

For several years, especially since the latest worsening of the situation in Kosovo, increased activity by the Catholic church has been observed which obviously has not had as its aim the growth of influence in this southern Serbian region per se, but aimed through this activity, at its "return" to Albania as well, since some earlier attempts in this regard were not fruitful.

The Vatican is very interested in descendants of Albania in southern Italy. By establishing some ties in Albania it has attempted to coordinate their actions regarding the "old homeland" with similar actions by Albanians in Greece. The right opportunity for it seems to have come along, however, only with the outbreak of separatist unrest in Kosovo at the beginning of the 1980's. It is obvious that by creating hope in the possibility that through actions by the government in Tirana, Kosovo separatists, and agents working with Albanians throughout the world, a "Great Albania" would be realized, the Vatican and the Catholic hierarchy in Yugoslavia have sought to expand their influence in Kosovo. It could even be said that in this situation a "special Piedmont-type" religious role has been entrusted to Kosovo in the imagined creation.

Two Papal Actions

It has been observed that the Vatican radio and the daily *OSSERVATORE ROMANO* gave a lot of publicity at one time to the pilgrimage by about 200 Albanians from the U.S., France, Germany, Italy and other countries to Rome, when Pope John Paul II specially received them. He entrusted all their compatriots then to "Our lady of Skoder, the protector of Albania," and prayed to her to "grant the day... when all the sons and daughters" of this people "would again be united." Naturally, he did not expressly say who should "again be united," but there is no reason to doubt that he was thinking of Kosovo.

The second papal action took place at the end of October last year. John Paul II visited the southern Italian city of Taranto (separated by only a short distance, across the Adriatic, from Kosovo) precisely at the time of still another flareup in the southern Serbian region and especially addressed (perhaps he actually arrived there because of that) to "Italo-Albanians." At the same time, the "campaign for support of persecuted Albanians" was particularly widespread and demonstrative in Zagreb and Ljubljana. There, massive lighting of candles took place in the squares, a scene that separatists evidently liked very much, and so, they also began to light candles in Kosovo. This was perhaps a special introduction into the catholicization of Albanian Moslems which began recently.

As far as the Catholic hierarchy in Zagreb and Ljubljana is concerned, it was particularly prominent in the gathering of aid for the miners from "Trepca" when they went on strike at the instigation of separatists and in support of Kosovo separatism in its religious press. The GLAS KONCILA from the Kaptol district of Zagreb, which is active with propaganda in this respect even today, took the lead, especially regarding the "single nationality poisoning" of the students of Albania. Without dealing with the authoritative medical information about this separatist fraud, the weekly reported on the first page its own "testimony about the poisoning in Kosovo" headlined "They brought her in poisoned and unconscious—Two days ago they buried a girl". The weekly stated that "a nun" sent the testimony to Zagreb.

The GLAS KONCILA accompanied the report with the remark about how "Catholic nuns in Kosovo have several of their own convents in which they have established small clinics" (were they also used for conversion to Catholicism?), and places the "poisoning" itself—in the accurate sense—within the framework of the "irrepressible historical process which is becoming increasingly widespread in Eastern and Central Europe."

The GLAS KONCILA gave particular publicity to the appeal by the Kosovo Albanian bishop Prela to John Paul II, which reads: "With anxiety about my people I ask Your Holiness's intercession in favor of a just and lasting peace in Kosovo for every citizen, people, and nationality."

It is not known whether the pope replied or took any action, but it is known that, "responding to the calls for help from Kosovo," Cardinal Franjo Kuharic made a special statement in which, among other things, he "called upon the faithful to include all residents of Kosovo in their prayers." Have these prayers or the call by the Sibenik Bishop Badurina that "talks and round table discussions" be also held in Kosovo, like those that have become "an everyday occurrence" in Eastern Europe, resulted in the beginning of the conversion to Catholicism of Albanian Moslems in Kosovo?

There is no doubt that Kosovo separatists have decided that Vatican support for them would be welcome (and also that conversion to Catholicism would be an expression of gratitude for support already received). However, the question arises whether the "religious war," to which a recent communique from some members of the World Council of Churches referred, would now be able to take a new turn, but again as a function of the idea of a "Great Albania." Naturally—if the Albanian Moslems in Kosovo are again taken in by the separatists.

HUNGARY

U.S. Firm To Clean Vacated Soviet Facilities

25000740C Budapest NEPSZABADSAG in Hungarian
31 May 90 p 5

[Article by Gyula Fejer: "The Amis Are Also Cleaning"]

[Text] Environmental Protection Minister Sandor K. Keresztes and Ben C. Tisdale, president of the American Martoch firm, signed a letter of intent yesterday noon. According to the letter, the American firm has agreed to clean the soil of the 60 stations used by Soviet troops, after their departure. The expenses are expected to be paid for by the U.S. Government.

The satisfactory cleansing of each location will cost between \$1.5 and \$2 million. Accordingly, the help provided is of huge proportions. In this relation, Keresztes referred to two election posters of the Hungarian Democratic Forum [MDF]: the one with the Tovarish, konyec [word unknown] inscription, and the other that urges spring house cleaning. Here, he said, as a result of this signature both of these topics enter the realm of reality.

After the ceremonial act we asked Mr. Tisdale whether any military secrets could be detected from the pollution that is to be removed.

"Probably not," came the terse answer. In this relation Major General Antal Annus made clear:

"After reacquiring the real estate now used by the Soviets, the Hungarian Republic will be responsible for the bodily integrity of its citizens within that property, because these establishments will be utilized. Accordingly, if the state bears any responsibility in this regard, it must eliminate all factors which may have damaging effects, consequences, be that in the form of underground, unexploded ammunition, oil or other soil pollution, etc. No one can disapprove of this, including the leadership of the Warsaw Pact, after all one could hardly acquire new information at this place."

[NEPSZABADSAG] Where will they deposit the pollution that is to be removed?

[Keresztes] The American experts will wash the soil entirely down to the impermeable level, and the soil will be replaced after cleansing. Pollution which qualifies as hazardous waste must be handled and stored pursuant to the applicable requirements. There will be radioactive control examinations. All of this is extremely expensive, but there is hope that the U.S. Government will finance this entire environmental protection project. After completing the project the Americans will transfer the technology to us. Aware of scandals that have come to light recently, we will be able to use the technology to be acquired later, because this technology removes not only military pollution, but also other pollution of industrial or agricultural origin.

POLAND

Deputy Minister for Defense on Role of Military Press

90EP0588B Warsaw ZOLNIERZ
RZECZYPOSPOLITEJ in Polish 14 May 90 p 3

[Report by T.M. on meeting between Deputy National Defense Minister Bronislaw Komorowski and military reporters: "The Main Topic: Credibility"]

[Text] The credibility of the military's means of mass communication and the winning over of public sentiment for the military were the main topics of an 11 May meeting between Deputy National Defense Minister Bronislaw Komorowski and the community of journalists for the military press, radio, and television.

In his address opening the discussion, Deputy Minister B. Komorowski presented these topics against the broad background of changes which are occurring in Poland and in our armed forces. A new face is taking shape for the military; its relationship to the state and society are being defined according to new principles. A depoliticized and de-ideologized army is regenerating its ethos into that of an all-Poland army.

This necessitates both actions aimed at restructuring and the acceleration of changes in mentality, in the consciousness. The primary role of the military press today is to present the military in the course of these changes and to gain society's support for them.

The deputy minister pointed out the conditions and circumstances which promote the building of a positive image for the military. There is, based on national tradition, a sympathetic attitude for the uniform that continues to be felt in Polish society. There is also the perception of the stabilizing role of the army and the need for a sense of national security during a period of structural change within the state, and in the face of the dismantling of the previous system of geopolitical European structures.

The programmatic and organizational liberation of military reporting from its instrumentally conceived agitational-propagandistic role within the framework of the fairly recent directive propaganda system should serve the credibility of the military press and its building of trust between the military and society. In conjunction with this the deputy minister spoke out in favor of a significant broadening of the scope of the autonomy of the military press (for primary emphasis was placed on the press during the meeting).

The discussion primarily covered publications-financial realities such as how to shift from a propaganda function to a typically journalistic presentation to society of military and defense issues, under conditions of increased competition on the readership market. Principles of financing, distribution, the circulation of the military press, prices, honoraria and reporter's salaries

were discussed. The issue of the cadre appointment of military publications was dealt with. As it was noted, these realities, which are complex and in need of urgent solutions, are basic to the intent of remodeling the military mass media.

Deputy Minister B. Komorowski also stressed that the anticipated organizational decisions will not be undertaken without the participation of editorial teams and that the community of military reporters will be treated as subjects, and not as objects, when these decisions are implemented.

Divorce of Politics From Army Viewed

Sejm Session Debates Issue

90EP0593A Warsaw ZOLNIERZ

RZECZYPOSPOLITEJ in Polish 11-13 May 90 p 3

[PAP article: "What the Army Will Be Like Under New Sociopolitical Conditions"]

[Excerpt] [passage omitted]

An Apolitical Army?

The debate over the draft law on changing certain laws governing military service lasted almost 2 hours. Army Gen. Florian Siwicki, national defense minister, presented the draft law with the government's authorization. He noted that the update emanates from extensive changes occurring in the structure and content of sociopolitical life in our country and from the need to grasp anew the tasks of the armed forces.

With regard to the professional cadre, the draft law updates the law on the military service of professional soldiers by establishing a ban on their membership in political parties and associations of a political nature. On the other hand, with regard to enlisted soldiers and members of youth labor brigades from civil defense units, the draft law establishes in law (by the law on the universal defense obligation) the principle of the suspension of membership in political parties during such persons' period of service. Sanctioning the status quo which exists in the armed forces, the proposal in a formal-legal manner closes the barracks gate against every possible attempt at shifting the political struggle over to the military plane in the future.

The introduction of the principle of apoliticism into the practice of military life correlates with the projected content of the new form of the military oath which will soon come before the marshal's staff. When the soldier's most important duties were defined in the new oath, the ideological element was completely eliminated.

In the historical sense, the draft for making legislative changes harks back to the regulations which were binding in the WP [Polish Army] during the interwar period. The principle of the apoliticism of the army is not a rarity today but has application, e.g., in the

legislation of France, the FRG and Great Britain, and is in compliance with the International Pact of Civic and Political Rights.

Minister Siwicki informed that since last December, intensive efforts have been underway at MON [Ministry of National Defense] to prepare changes in the law on the universal defense obligation and on an entirely new law regulating the principles of service of professional soldiers. He also expressed the conviction that the proposals for change spoken of in the draft law will be of good service to the overall national idea of democracy aided by the WP.

The discussants clearly divided into two camps: those who criticized the draft law and, even more than this, the operation of the armed forces and their cadre in the past, and those who defended the good name of the Polish uniform.

For example, Deputy Jacek Szymanderski (OKP) [Citizens Parliamentary Club], the author of the motion that the government should prepare a draft law, stated that if we want to move away from the period in which the army was the "party's private army" in order to organize the Armed Forces of the Republic, we must not only limit the rights of citizens in uniform, but also guarantee them something. For example, we must stand up for people in uniform and not force them to band together to protect their own rights. We must guarantee them a just wage, honor and dignity.

In the deputy's opinion, "This is not a condescending law in which the ministry bends over people in concern." In conclusion the deputy announced that the OKP will soon present a deputy draft law guaranteeing the Sejm's defense of the interests of people in uniform.

Deputy Zenon Kulaga (PKLD) [Deputies Club of the Democratic Left] could not agree with the assertion that the army had been the party's private army. He noted, "We served the legal government. The party never dominated in our army. Today the army is fully ready to serve the nation and the new government."

In the Sejm chamber, much emotion and numerous reactions were provoked by the address made by Deputy Bohdan Kopczynski (OKP) and, particularly, by his statement regarding the "constraint and russification" of the Polish army by the party-political apparatus and by his claim that the words "Honor and the Fatherland" were not fulfilled in the past in the armed forces.

In the deputy's opinion, the changes in Poland have not extended to the army: reformers in the army are let go, the Solidarity movement is hated there and approximately 80 percent of the generals are people from the "previous structures."

Deputy Marian Zenkiewicz (PKLD) spoke out in defense of the the army image.

For example, he stated that during the martial law period, the officers delegated to plants demonstrated

much tact and a good sense of moderation. Deputy Kulaga called Deputy Kopczynski's address demagoguery which "does not serve the army and the nation."

Deputy Krzysztof Grzebyk (PKLD) called Deputy Kopczynski's address "the venom of hatred" which must be replaced by substantive discussion.

As if referring to this statement, Deputy Adam Grabowiecki ("PSL-"O") [Polish Peasant Party-"Rebirth"] proposed that a general debate on the subject of the army be conducted in the Sejm within the next 3 months.

Likewise, Deputy Henryk Kaczmarek (PKLD) spoke out about the need to rebuild our armed forces and to view the problem in a holistic way.

Minister Siwicki reacted to several statements. He stated that some of them were "offensive and contained half-truths." We should seek those solutions which would make the army strong enough and which would be of good service to the entire state structure.

He declared that the majority of the cadre favored an apolitical character for the army and that our intent was to implement this will through a decision of the chamber. Society values the army highly and this proves that the majority of citizens see in the army a force which stands guarding Poland and which serves the nation.

Voting resulted in the Sejm's rejecting a motion made by Deputy Jacek Szymanderski to send the draft law to the government to be reworked. Voting in favor of the motion were 98 deputies, while 152 were opposed and 36 abstained.

The chamber decided to submit the draft law to the National Defense Commission and the Legislative Work Commission to be worked on further.

Officer Supports Depoliticized Army

90EP0593B Warsaw ZOLNIERZ
RZECZYPOSPOLITEJ in Polish 14 May 90 p 3

[Commentary by Lt. Col. Tadeusz Mitek: "A Nonparty Military"]

[Text] The principle of army apoliticism, presented in the Sejm draft law, indubitably enjoys the absolute support of an enormous majority of the cadre. Moreover, the divorce of the army both from the party and from ideology is the real situation at the present time, a situation which has arisen as a result of an entire series of organizational and program changes introduced into the service and social structure of the army. Thus, what is needed is a confirmation and guarantee of these changes in a very high level formal-legal document.

The cadre's support emanates above all from the conviction that it is high time we stopped the old practice, as well as certain present-day attempts to confine the battle (or perhaps only the political game) to a pen, weighing down military service with it. The political odium should

be removed from the service and the service should also be freed from the pressure of ideological confrontation. The civic education aspect of the service cannot be formed by the mechanisms of current propaganda and agitation, but should appeal to universal national values and should be motivated by the state's defense reasons of state common to the entire society.

The consolidation of this conviction need not mean that people in uniform should now deny their biographies which are generally associated with their party identification or that they should lose their sense of honor for their past honest and loyal service to the state—the state as it was. Certainly, those of the Sejm speakers who defined the former army as a "private army of the party" or who claimed that the Polish army had been "constrained and russified" were not right. These are both nonsense and very detrimental utterances.

Moreover, Polish patriotism was also a primary value in the old party-ideological formula of army education. This truth is confirmed by millions of Poles who served in the army—which was above all Polish, although qualified by the adjective people's—in successive annual conscriptions.

That is why including the army in the transformations of the system, in the reform of the state and socioeconomic life is of a real, and not a transitory nature. Removing the political-ideological easements from the army, from its service structures, will undoubtedly promote the consolidation of a nationwide Polish idea of democracy and its fostering by the Polish Army. It will also constitute an essential barrier to possible tendencies to subordinate the military to any one force which would like to perform a dominant role in the state and limit the citizens' democracy.

It is necessary in such a newspaper commentary as this to make mention of those threads of the Sejm statements in which it was said that limiting the political rights of citizens in uniform should be accompanied by guaranteeing them other citizens' and social rights, i.e., the defense of their interests and rights—both on the material plane and on the plane of their dignity. Based on reports from already apolitical units, headquarters and army institutions, it cannot be said today that the conviction exists that these are being defended effectively at the present time.

Minister of Foreign Economic Relations on Arms Sales Profitability

90EP0588A Warsaw ZOLNIERZ
RZECZYPOSPOLITEJ in Polish 14 May 90 p 4

[Interview with Minister of Foreign Economic Relations Dr Marcin Swiecicki by Major Zdzislaw Lasota; place and date not given: "In the Arms Trade—Freedom and Control"]

[Text] [Lasota] There is a lot of discussion about the arms trade: in armaments industry plants, in the press, in

main offices and stock companies and, of late, also in the Sejm. In my opinion, this discussion is a positive phenomenon. It fills in the next layer of blank spaces and it makes us aware that it is especially the area of export of arms that involves not only the profit and loss question but also a political and moral problem.

[Swiecicki] The Ministry of Foreign Economic Relations takes into account those background complexities as it defines the obligatory principles for trading in arms. The first principle is the overriding interest of the Polish state. That will be assured by several means including a negative list prepared by the Ministry of Foreign Affairs [MSZ]. That list will include all countries to which everyone in our country is forbidden to sell arms.

A different important principle favoring the growth of export is the demonopolization of the arms trade. Arms will be sold not only by the Central Engineering Council [CZI] but also by stock companies and main offices, and also and especially, directly by the producers of specialized goods.

[Lasota] And yet the decision of the ministry permitting even the union of agricultural circles to trade in arms met with criticism. That particular decision seems surprising especially when one hears, for example, that something like Radwar did not receive a concession.

[Swiecicki] Certainly Radwar will receive a concession shortly. There have already been 10 or 20 requests for a concession, chiefly from direct producers of specialized equipment. We believe that in principle the potential for trading in arms should not be restricted. Of course such trade will be carried out by those who do not violate the law and the principle defined by the state.

Let us keep in mind that arms is a specific commodity. Trade in armaments must be subject to increased control. The armaments must reach their designated destination, a destination which does not violate the interests and the good name of the state. At the same time, such business must pay—it must bring in profit and promote enterprise maintenance of the production capabilities indispensable to armaments production.

[Lasota] But, Mr. Minister, there are those who question the profitability of our export and import of arms.

[Swiecicki] Foreign trade, and especially the arms trade, is governed by its own laws. Neither the sellers nor the buyers are very anxious to talk about prices. I hold that if we are already trading in arms, we should make a profit on them. It is not an easy field to be engaged in today. The need for arms has declined significantly throughout the world, while the competition has grown considerably.

Poland never was a power in the export of arms, nor is she now. Despite this, it is possible to make a profit on arms export. The arms trade continues to be profitable, even though the profitability index is declining. I would like to note that the liquidation of the state subsidies for arms export is a decisive factor. At the present time they are minimal, largely emanating from the rate-of-exchange policy for countries of the first payments area.

[Lasota] What is the situation with regard to the price negotiations of armaments imported by Poland?

[Swiecicki] The obligatory principle is that we cannot overpay. One factor which is taken into account is the world prices for products in the same class. For example, we paid the Soviet Union about 13 million rubles for a MiG-a 29, while the similar American F-16 plane costs \$18 million.

[Lasota] Thank you for the interview.

INTRABLOC

CEMA Secretary Cited on Changes

90GE0140A East Berlin HORIZONT in German
28 May 90 pp 50-51

[Article by Kempen Dettmann: "Closing the Book?"]

[Text] A sense of departure permeates the CEMA building on the Kalinin Prospect in Moscow. It is vacation time, but there is another reason why staff members are packing their bags and are ordering plane tickets. Poles, Hungarians, Germans—all are leaving Moscow, with books left unclosed. Such a scene is not unusual because CEMA officials are subject to frequent turn-overs, but this year will not see the arrival of replacements; the departure is final.

An editor in chief in the information bureau on the sixth floor has been waiting for months to see the publication of "CEMA WESTNIK", a new information bulletin he conceived last year. He is still waiting because the breathtaking developments in CEMA countries have rendered his original idea obsolete.

Rumormill

The mood of those left behind is far from upbeat. They appear unsure and slightly depressed. The rumormill is churning away at lunch tables, during coffee breaks, in the hallways. Over the past few months, conflicting statements by politicians from CEMA countries have done their part to add grist to the rumormill.

The first such statement came from the Czech finance minister. He said Czechoslovakia was leaving CEMA. News stories followed claiming Poland and Hungary would follow suit. Then came a lull during which everybody waited to hear what the new GDR government would have to say. Even the Soviet Union floated bad news. Scientists and government officials commented that CEMA is much less useful to the Soviet Union than it is to other member countries. The final blow came recently when it was reported that the Czechs are in favor of closing the CEMA secretariat, of sending everybody home, and of not reopening offices until a decision on CEMA's future has been reached.

Convenient Excuses

In addition, various countries have waged numerous press campaigns against CEMA. Soviet papers were particularly active; they charged CEMA with "impotence" and remarked that smaller CEMA countries have gotten a free ride at the expense of the Soviet Union. These countries then retaliated by saying that their economic association with the Soviets has forced inefficient structures on their national economies. There is probably some truth to both charges, but why blame somebody else for one's own economic problems? Why blame long-standing partners? Unless the reason is political. The purpose behind this bickering seems to be the

appeasement of voters at home by pointing an accusing finger abroad. Such tactics do not display sound political instincts, and we are glad that the press in the GDR has avoided such accusatory exchanges.

The CEMA secretariat in Moscow has always been a favorite whipping boy. The secretariat gets blamed whenever problems crop up or expectations go unfulfilled as if all problems originate there. Many economics officials from CEMA countries who had to hide their own mistakes and incompetence found it very convenient to blame the secretariat on the Kalinin Prospect. According to CEMA statutes, however, the secretariat is and has always been an executive secretariat. CEMA decisions are not made by Moscow alone, but by its 10 member nations.

Objective Reasons

With the heated debates of the past months, the question of the future of CEMA remains. Should it be dissolved or not? Vjatcheslav Syschev is the secretary of CEMA. He is an international official who represents the interests of all member countries, and as such he maintains a detached view. His answer was characteristically cautious and restrained. "An unequivocal answer has been given at the 45th council meeting in Sofia this January," he says referring to the only binding statement on this topic by CEMA countries so far, then he continues: "The leaders of all CEMA delegations expressed their countries' interest in continuing the economic council and its activities." Syschev says that he sees several objective reasons behind this decision. Cooperation within the framework of CEMA has left its imprint despite the frequent refusal by the press to acknowledge that this cooperation has benefitted the development of each country's national economy. Syschev mentions the numerous joint industrial projects, oil and gas pipelines, a unified energy system, etc.—all of which contribute towards fulfilling the need of CEMA countries for raw materials, energy, and energy sources.

Inappropriate Mechanism

Despite such advantages, the present model for the division of labor within CEMA has not worked out, because it only involved the bartering of fuels, electric energy, and raw materials for finished products that didn't always meet international standards. Syschev says that "CEMA countries are unhappy with this type of cooperation because it has lost its bounce. During the past ten years, the mutual exchange of goods has dropped noticeably and has lagged behind production increases achieved in cooperatives. Several decades have shaped a mechanism for cooperation that can no longer accommodate the changed economic conditions of member countries." To make his point, Syschev mentions the direct way of cooperation among businesses who have established themselves as independent entities on the export market. "At present, cooperation is

regulated on the governmental level and this is a very ineffective way to coordinate cooperation among business enterprises."

Radical Change

Far-reaching socio-economic and political changes in most CEMA countries make it necessary, as Syschev puts it, to "radically restructure the entire system of cooperation, to change the mechanism for multilateral cooperation, and to create conditions that will allow CEMA countries to become a more active player on the world market." Again referring to the 45th council meeting of CEMA, he stresses that "changes need to be radical, they have to deal with principles of cooperation, finance and pricing mechanisms, and with the objectives and functions of CEMA. CEMA will get new statutes and, as is generally assumed, a new name."

A special commission consisting of delegates from all CEMA countries is currently deliberating these matters. Most urgently needed, says Syschev, is a decision to base cooperation among countries on market principles and to adjust ever more closely to the conditions of a global economy. This need has already been addressed in the council meeting's decision to conduct future CEMA export dealings on the basis of a convertible currency. When asked if this is the kiss of death for the transferable ruble, Syschev at first says "yes", but then qualifies his statement by saying: "The transferable ruble will suffer somewhat because of the decision to move towards trading in a freely convertible currency." What he means is that not all countries will make this transition at the same time.

Syschev's statements add a sense of realism to the discussion. He says in effect: "No dissolution of CEMA, instead a new organization with a completely different function. But how soon?" "It is a thankless task to predict such things," says Syschev and adds "it is probably safe to assume that the fundamental outlines of a reorganized CEMA will be ready by mid-year."

Elements of Uncertainty

Nobody knows just yet what the new CEMA will look like, but one thing is certain: Coordinated planning, once the backbone of CEMA cooperation, has seen its day. Ideological talk about the merits of economic cooperation is no longer welcome, today's bottom line deals with goods, money, and their mutual relationship. Cooperation between individual countries will largely proceed on bilateral levels, except in certain areas, such as infrastructure, transport, the endangered environment, balloting, consultations, and exchange of information, where multilateral cooperation will prevail. What will remain is an organization open to all other countries, an organization that has to add its share to further worldwide cooperation.

Some external aspects and, in particular, the not too distant GDR membership in the EC present certain problems. Moscow has reason to believe that the GDR

wants to maintain economic relations with the Soviet Union and other East European countries, hence it is not unreasonable for Soviet thinking to see the GDR hold membership in the EC as well as in a reorganized CEMA. Other CEMA countries, such as Hungary and Czechoslovakia have already announced their intention to join the EC. But there are also attempts to form a "small CEMA" with Poland, Hungary, and Czechoslovakia as members. The decisive factor will be the future condition of the Soviet economy and its ability to face up to the economic challenges that its partners will present. A Soviet scholar said the other day that if the Soviet Union cannot keep up it will be perceived as a "severe liability" in the formation of new CEMA relations.

GERMAN DEMOCRATIC REPUBLIC

Divergent Economic Predictions Published

Nuclear Energy Growth Viewed

90GE0146A Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 23 May 90 pp N1-N2

[Article by Guenter Paul: "Nuclear Technology Expansion in the GDR?"]

[Text] For some time past the future of energy supplies has been hotly debated in the GDR. In 1986 each GDR resident used 222 gigajoules of primary energy per annum. This volume was exceeded only in the United States (284 gigajoules) and Canada (277 gigajoules). At the 1990 annual conference on nuclear technology in Nuremberg, Reiner Lehmann of the Nord nuclear power plant (Lubmin near Greifswald) said that obsolete equipment and the low rate of efficiency of energy conversion and utilization represent some of the reasons for the excessive consumption in the GDR. An international comparison of per capita consumption of electricity shows the GDR to be in 10th place with 5,787 kilowatt hours per resident and year. In view of the fact that power plants operating with brown coal excessively pollute the environment, many people in the GDR are considering how to continue using the nuclear reactors which are available but also technically obsolete and supplement them with additional reactors, without unduly disregarding safety requirements.

The GDR has only Soviet pressurized water reactors of the WWER type ("water-water-energy-reactor"). In such plants, the cooling water (that is also the denaturant) is conducted through the reactor nucleus at high pressure. The resulting heat is released to a separate hydrological cycle. The water of the secondary cycle is vaporized and drives the turbines of the electricity generators.

At the present time 13 reactor blocks are in operation, under construction or preparation in Rheinsberg, Lubmin, and Stendal. They include four different types of the WWER line. The oldest is the WWER-2 with a 70-megawatt output. It entered the network in Rheinsberg in 1966 and is to be shut down in 1992. GDR

industry supplied a great deal of its own designs to this reactor, developed parallel to the prototype of Soviet pressurized water reactors—the WWER-210 that began operating in 1964 in Novo-Voronezh. In Nuremberg, Professor Gerhard Ackermann of Zittau Technical College said that the Rheinsberg plant resembles Western reactors by, for example, featuring vertical steam generators.

The steam generators in purely Soviet reactors are mounted horizontally. In case of breakdowns, the water is able for six to seven hours to release the residual heat of the reactor, and there is more time to adopt emergency measures than is the case in Western nuclear power plants. This type of construction proved valuable when, in 1975, a cable fire broke out in block 1 of the Nord power plant at Lubmin and caused a complicated incident. Gerhard Ackermann discerns similarities between that event and the incident at Three Mile Island. Though the cable fire had increased the danger, the fact that sufficient time remained in Lubin to adopt countermeasures meant that the fuel elements suffered no damage nor was there an unacceptable release of fission products. On the other hand, horizontal steam generators turned out to be a liability when corrosion of their pipe supports produced leakages in block 1 in 1982. No final verdict is in yet as regards the general reaction of horizontal steam generators to breakdowns and accidents. Their "thermo-hydraulic" behavior is now to be ascertained by analytical and experimental studies.

In addition to the vertically mounted steam generator, GDR scientists supplied other developments to the WWER-2 reactor in Rheinsberg. However, going against Soviet proposals, in 1968 the government decided against any further involvement in the development of nuclear power plants and to unconditionally rely on Soviet technology for the importation of nuclear power plants. Four purely Soviet reactor blocks, of the WWER-440 type (1-4) with 400-megawatt output each, were installed in Lubmin. Two each of these blocks are operated jointly with respect to ancillary equipment and water supply. It is currently intended to modernize them for operation for a limited time and to shut them down finally at some time in the 1990's. The safety equipment of these long obsolete reactors is based on a typical Soviet concept: Exceptional robustness to be achieved by the use of tough austenitic materials in the coolant cycle and ample load reserves. The Soviets believed that it would then be unnecessary to make any further demands on safety equipment. A 500-mm diameter break in the main coolant line seemed impossible. A 100-mm diameter leak was defined as a controllable design incident. Blocks 2 and 3 are currently disconnected due to advanced embrittlement. This embrittlement is to be eliminated by annealing—a tried and tested procedure.

Blocks 5-8 of the Nord nuclear power plant, to be taken into service by 1995, are of the WWER-440/213 type. The reactor and cycle design barely differs from that of blocks 1-4. However, they have been significantly

improved from the aspect of safety equipment. A 500-mm diameter break in a main coolant line is assumed to be a design incident. The blocks are not yet secured against aircraft crashes, and considerable delays persist with respect to control equipment.

It is typical for the WWER-400 blocks that the space housing reactors and primary cycles is "pressure space," because the manufacturers wished to forego full pressure containment. The structural engineering-related relatively small design pressure requires a sprinkler system in case of incidents, in order to limit and decrease pressure. Due to the totally different method of construction, it is almost impossible to conduct a safety comparison with Western nuclear power plants. Some of the characteristic features of the WWER-440 are vertical looping bends, so to speak "looping" pipes in the hot trains of the cooling cycles, that will, in case of an incident, result in a blockade by vaporization in the cycle. In conjunction with the horizontal steam generators, this affects the behavior of the plants in incidents. Future studies are to show what may happen in the individual case. GDR researchers intend to use an incident computer program, developed in the Federal Republic. Zittau's Peer Draeger said in Nuremberg that personnel of the Nord nuclear power plant and the Zittau Technical College will revise the program for block 1 in Lubmin.

The reactor blocks of the Stendal nuclear power plant now being constructed will be more up-to-date than the Lubmin reactors. The first double block will consist of two WWER-1000/320-type reactors. In Gerhard Ackermann's opinion, their design parameters and safety equipment are "analogous" to Western concepts. They have one pressure reservoir each, and this also provides protection against external forces. However, the diameter of these pressure reservoirs is limited to 4.5 meters, because they need to be carried by rail. This affects, among others, the radiation exposure of the material. As the reservoirs do not quite meet the international standard of reactor development, it is now considered to equip blocks 3 and 4 in Stendal with Konvoi plant by Siemens instead of WWER-1000/320 reactors. They could be operational by the year 2000. Blocks 5-8 in Lubmin and 1-2 in Stendal are to be equipped with electrotechnical plant and unit coordinators produced in West Europe. This solution has worked well at two Soviet WWER-440 reactors in the Finnish Loviisa nuclear power plant.

Comments From Experts' Forum

90GE0146B East Berlin NEUE ZEIT in German
30 May 90 p 4

[Article by Norbert Klaschka: "Is the Upturn Really Going To Follow the Radical Cure?"]

[Text] The introduction of the currency union on 1 July is likely to inflict a radical cure on the GDR that is

unprecedented in the history of business. Konrad Wetzker, director of the East Berlin Institute for Applied Economic Research, is convinced that no other country anywhere in the world could be confronted with greater structural change than the GDR in the months to come. More and more members of the general public—and even experts—vacillate between hope and fear when contemplating day X. Attendants at a GDR forum, held in Berlin by the Heidelberg Institute for Management, agreed on just one point: The still existing second German state will have to pass its real test in the first six months following 1 July.

Professor Hans-Joachim Dubrowsky of the East Berlin High School for Economics foresees three shocks for GDR enterprises: The first is the already noticeable product, design, and packaging shock. Yogurt made in the GDR, for example, is molding in the freezers, because Federal German yogurt tastes better and is packaged more attractively. The second is the cost shock produced by the currency conversion. GDR enterprises which often produce at excessively high costs will at one stroke be exposed to worldwide price competition. The third shock will be inflicted on the interest rate that is going to double from the hitherto average standard four-percent rate.

Dubrowsky thinks that the GDR will have to simultaneously and rapidly execute three steps: Convert its earlier planned economy to a market economy. Insert its territory in an all-German economic and social space, despite extreme differences with respect to production and incomes. And, lastly, integrate the hitherto closed-off GDR economy in the EC.

According to the latest data, only some 30 percent of GDR enterprises are operating profitably. Another 40 percent might be salvaged after a painful process of adjustment. A third, though, is considered threatened by bankruptcy. Ruediger Pohl, member of the council of experts examining overall economic development, therefore mentions "negative adjustment." The real question is this: Will the crash be followed by the boom forecast by many people?

In the course of the introduction of the market economy, many GDR employees will lose their jobs. According to a model calculation by the Rhenish-Westphalian Institute for Economic Research (RWI), of which Pohl is a board member, a GDR economy adjusted to the Federal German structure will only be able to employ 7.5 million. Pohl notes that this would mean permanent structural unemployment for 1.5 million.

For cost reasons alone, enterprises and official agencies will be compelled to reduce their inflated administrative apparatus. Other jobs will initially be lost due to the farming out of services hitherto provided in-house. The same holds true for the necessary reduction in the vertical range of manufacture that amounts to 80- to 100-percent in the GDR. The proportion of in-house production is significantly lower in Federal German

enterprises—often below 40 percent. On the other hand, opportunities will arise for a new small-scale component manufacturing industry.

In order not to lose out to the competition, GDR enterprises will need new capital equipment. Unfortunately these cost money, and many GDR enterprises are starting with an opening balance sheet in the red and, according to Federal German business law, might well be bankrupt even before their fresh start. The former "state" economy owed the state bank 242.2 billion marks [M] on 31 December 1989. Even after the conversion of liabilities at a 2:1 ratio, a giant debt mountain remains. By now debt remission is increasingly called for. Robotron boss Friedrich Wokurka complains that his profits were almost completely delivered over to the state, and he was then forced to borrow money for urgently needed imports from the West, expensively purchased at a ratio of 1:4.4. Bernd Beltrame, general manager of Volkswagen-IFA Pkw GmbH, criticizes debt conversion as being inexcusable. "It will force many to their knees on 1 July."

Yet, most people put their hopes into the strong West German mark, assumed by many to be a miracle drug. But criticism has largely been stilled by the political decision taken against the backdrop of the wave of resettlers. As late as last 14 February, the council of experts wrote to Federal Chancellor Helmut Kohl, telling him of their concern and calling the rapid implementation of the currency union a mistake. According to the council, it could not be the proper intention of a currency union "to in the course of conversion to the West German mark reevaluate the purchasing power of the GDR money supply, inflated by decades of mismanagement." In other words: If exchange rates were flexible, the low productivity in the GDR would have had to result in the devaluation of its mark. The five wise men are convinced that the introduction of the West German mark will give rise to an illusion in the GDR general public, namely that this means catching up with the FRG standard of living.

However, if, after 1 July, the backed up consumer demand of GDR citizens is satisfied exclusively by products from Western firms which would only need to slightly expand their capacities, the GDR runs the danger of losing out as a manufacturing location. Pohl is afraid that, if the money from the West is not invested but dribbled away in social consumption, GDR citizens may be better off in the short term but worse off in the years to come. Moreover, this would amount to the classic fall from grace: consumer spending fueled by credit. The East Germans would then polish off their wealth before the new banqueting table is even set up. Still, despite all the various difficulties, Pohl believes that the currency union will eventually become a success story. The stage of consolidation is bound to arrive. Admittedly, not even the expert who is a professional forecaster, can say just when this will happen.

Food Industry Seen Worrisome

90GE0146C Duesseldorf *HANDELSBLATT* in German
21 May 90 p 22

[Article by "wt": "Food Industry's Low Productivity"]

[Text] The level of productivity in the GDR is only one-third that in the Federal Republic. According to Prof. Dr. Guenter Noetzold of Leipzig University this is due to the fact that this industry used was not originally among the export industries in the other part of Germany. The industry had therefore been "neglected."

At the annual general meeting of the Federation for Food Law and Food Science (BLL) in Bonn, the GDR scientist said that many food industry firms would confront "a difficult situation with respect to competition" even after privatization. Without close cooperative relations with efficient enterprises in the Federal Republic and other Western countries, many GDR companies would have no chance at all in any competition.

According to Noetzold, the GDR's food industry's importance to the economy is similar to that in the Federal Republic. It holds a 14 percent share in industrial output generally. The industry accounts for 8.6 percent of the total of employed persons (1988).

He forecasts an "about 35-percent rise in labor productivity" for the GDR economy as a whole in the first year following the German currency and economic union. He explains this by such factors among others, as the increased motivation of the personnel, the unraveling of the combines, and the development of national and international cooperative relations. These factors may well help the productivity level in the other Germany so to rise "within three to five years" that there will no longer be a dramatic difference by comparison with the economy in the Federal territory.

Dr. Ottfried Hennig, parliamentary state secretary at the Federal Ministry for Inner-German Relations, expounds on the poor economic situation in the GDR: "The extent of the disaster is even greater than we had anticipated." Only a comprehensive structural transformation in the direction of a social market economy might help resolve the many problems.

Small business assumes special importance in this context. The Federal Government massively backs the establishment of efficient small and medium businesses by a budget allocation of 150 million Deutsche marks [DM]. This money may be called upon for investments in sectors such as training and technology. Though optimistic about a surge of business in the GDR, Hennig admits that there is bound to be "temporary unemployment in the other part of Germany."

BLL President Dr. Karl Schneider says that the West German food industry is ready to contribute to the renewal of the food industry in the GDR. In recent months, the BLL has made many contacts with enterprises, food inspectorates, federations and scientific

facilities in the other part of Germany. The BLL has also dealt with many inquiries with regard to cooperations and legal problems.

In Schneider's opinion, the actions of the food industry will have to be in the foreground in the commitment of Federal German firms in the GDR for several months to come. As Schneider puts it: "The main concern is that of supplying the GDR public with an acceptable range of foods." At this juncture, he holds this more important than supplies of steel or microelectronics.

Next to the upheavals in the GDR, the BLL conference focused on food inspection. Dr. Hans-Hermann Benstrup, state secretary at the North Rhine-Westphalian Ministry for the Environment, Regional Planning, and Agriculture, suggested that the food industry should be obligated to carry out its own inspections. Such an in-house inspection system could ease the burden on the official food inspectorate.

Many Bankruptcies Seen Likely

90GE0146D Frankfurt/Main *FRANKFURTER ALLGEMEINE* in German 30 May 90 p 19

[Article by "kpk": "A 'Prairie Fire of Bankruptcies' Expected—Schiller, from the Ardenne Institute: Status of GDR Firms Is Shocking"]

[Text] "The economic situation of GDR enterprises is worse than generally described and assumed. Events in the GDR after 1 July will be far more dramatic than suspected in the Federal Republic." This was the upshot of a lecture to the CDU [Christian Democratic Union] Economic Council in Bad Nauheim by Siegfried Schiller, director of the Manfred von Ardenne Research Institute in Dresden. The introduction of the currency union on 1 July will result in a "prairie fire of bankruptcies" in the GDR. The results of the computerized stocktaking in GDR enterprises are distressing. Even good enterprises are confronting enormous difficulties, far too many orders have been canceled, too many purchasers have become insolvent.

Schiller is a professor of physics and, for the past 25 years, has been deputy to von Ardenne. He believes it possible that roughly 70 percent of GDR enterprises may fail to survive the new start. He thinks that Federal German assessments of the situation are far too optimistic, and that nobody really presents the true facts. Schiller pleads for greater official realism, though he does not wish to be counted among the fearmongers. According to him, some 4 million people will have to find other jobs and be initially unemployed. Unemployment is already greater than the statistics show, although the old enterprise managements are still delaying the necessary lay-offs until the time after 1 July. Schiller therefore thinks there is a danger of the lay-offs being blamed on the market economy instead of the actual culprit—failed socialism. He said that "we still have a strong intellectual Left in the GDR."

Schiller strongly opposes the GDR intention to levy import taxes in order to shelter enterprises from Western competition. Such import duties would quickly serve as featherbedding. They would help neither the GDR economy nor GDR consumers. He thinks it would make more sense to turn the GDR into a tax haven for investors, in other words provide tax relief for investments—though that alone would still not be good enough. According to him it is surprising to see how much entrepreneurial spirit there is among young people. It is not true that the best have left. Many others, though, are still wondering how they could manage to enjoy Western standards of living while working according to Eastern standards. "There are also still far too many who hold out both hands, with the result that they do not have a hand free for work," Schiller says.

Growth in Private Banking Sector Predicted

90GE0155A Duesseldorf *HANDELSBLATT* in German
15 May 90 p 14

[Article by Michael Hammes, project manager, and Eberhard von Loehneysen, principal in the banking practice of McKinsey & Company, Inc, Frankfurt: "Business With Private Customers and Smaller Firms Promises High Growth Rates"]

[Text] High growth potential and little competition—that is how the banking market in the GDR presents itself, shortly before the introduction of the Deutsche mark and freedom of settlement for foreign banks. Activities by FRG banks preparing to enter the market are correspondingly numerous. Pressing ahead can make good sense, because in banking very often those suppliers have the best opportunities who decide the first rounds of the distribution competition in their favor. Nonetheless, one must not underestimate the difficulties and risks. Despite the great need for improvisation in view of almost incalculable business opportunities, a concept is necessary, at least for the solution of some key questions—instead of mere haste, the proven "hurry leisurely."

On the supply side, today's GDR is "underbanked." While in the FRG approximately 1,400 inhabitants share one bank branch office, in the GDR there are more than twice as many, about 3,400. In the FRG, one bank employee is available for 100 customers—his colleague in the GDR is needed by 420 customers. This undersupply was made possible above all by the fact that there are monopolistic conditions in some of the markets and that the range of services has a great many gaps.

Demand for Bank Services is Small

The demand for bank services so far is also relatively small. In 1980, in the FRG private monetary assets per capita were 23,000 Deutsche marks [DM]; 10 years later in the GDR, they are only at 10,000 GDR marks [M]. In consumer loans, comparative amounts are DM2,000 versus M100, for private construction financing the

comparative values are DM6,800 vs. M1,400. No one can predict how rapidly demand will grow in the future; but even if in the next years only a position is reached which lags 10 years behind the FRG, the banking business for private customers faces high growth rates.

A similar situation exists for doing business with smaller firms. Their demand for banking services is very low today—one of the reasons being that there are relatively few smaller enterprises. But through numerous new foundings, a market with enormous potential may be created. Based on the FRG level, it appears quite realistic in the medium term to expect up to 300,000 smaller firms in the territory of today's GDR; they will all have sizable financing, transaction and even investment needs looking for a supplier.

In order for the FRG banks to open up these business opportunities primarily means overcoming resource shortages. For the remaining GDR banks it will be a matter of catching up in today's performance comparison, particularly in marketing.

The greatest obstacles for newly entering West German banks consist in the availability of critical resources and their cost of acquisition. But on the business and profit side, also, considerable risks exist. Both can be mastered only if goals and ways are selected with imagination and good judgment. Important resources for the banking business are in short supply and hence become expensive very quickly. That applies to personnel as well as power grids for EDP [Electronic Data Processing] use, and also for bank locales. The present 40,000 bank employees in the GDR by their limited number create a bottleneck for growth. Furthermore, it is doubtful whether most of these employees are sufficiently qualified for a banking business which is rapidly becoming more complex.

In building up critical resources it is particularly important to weigh between quality requirements and costs. Personnel requirements can and must partially be filled by drawing personnel from the FRG by particularly attractive remuneration offers to work in the GDR. But beyond that, sources for new hiring in the GDR must be found. One possibility will probably open up in the combines. Where these organizations are dissolved, coworkers from the finance departments will become available if the individual VEB's [state enterprises] in future manage their enterprises independently. Rapidly rising costs are preprogrammed with a shortage of personnel. The profit risk resulting therefrom could be limited through variable salaries dependent on profit.

A Power Grid is Almost Nonexistent

A power grid is almost nonexistent in the GDR. If EDP-supported management and recoding is desired, at first the product range available in the FRG can at best be offered selectively. There are different possibilities for using the EDP systems available in the FRG. By coupling bank offices in the GDR to central units in the FRG through radio relay or satellite beam, respectively, business could be managed like "at home." However,

this solution appears too expensive for a larger network of branch offices. In addition, availability of capacities and questions of data security would have to be examined. For this reason, time-limited offline solutions should also be taken into consideration, at least in large sectors of the business with private customers and smaller firms. There the risk tied to an offline solution seems bearable; one could make do, as formerly in the FRG, with "taxi-processing" (EDP processing and physical exchange of tapes).

Establishing bank offices will probably also require larger investments. The few suitable real estate properties are predominantly in the hands of local competitors. Furthermore, acquired properties often have to be restored from the ground up and must be equipped completely with new technical infrastructure. One must take into consideration that a marketing network does not necessarily have to consist of branch offices. It is well known that these have high fixed costs. Therefore, one should additionally examine the possibilities of mobile sales services, or branch offices on wheels, respectively. Based on a few stable offices, both types of marketing permit greater area coverage.

On the business side, risk exists in the not yet predictable problem of lot size: In the beginning, the average use of many services will be considerably below the volume in the FRG. In view of the predictable, relatively high personnel costs, this can lead to a divergence in profits.

Larger Firms Initially Are Not Very Attractive Customers

There are above all two starting points for the banks to develop business: Filtering out attractive customers through thought out segmentation, and extensive standardization of mass business, with initially small volume. Of the roughly divided business sectors—private customers, smaller firms, larger firms—the latter seem at first not very attractive because of the high risk involved, not taking into account special business transactions. Among smaller firms, already established firms are of particular interest, or newly founded firms in previously understaffed sectors, where investment financing might be particularly attractive.

Within the private customer sector, profitable—i.e., sufficiently large—business transactions can initially be expected in construction financing, that is to say, with today's owners of real estate property. (One must remember that over 40 percent of housing properties are still in private hands.) If savings deposits are not frozen, customers with large monetary assets are of interest. They can most likely be expected in occupations where there were good earnings possibilities due to one's own initiative, such as for craftsmen. Target customers probably cannot be identified individually in advance. Therefore, it seems advisable to attract and select them, respectively, through appropriate product shaping, such as graduated prices or minimum volume.

The expected low demand volume in mass business should still be translated into a profitable business through low-cost standardizations. Examples would be investment funds (perhaps with the account conducted in the FRG) instead of individual deposits, consumer loans (by using credit scoring) instead of overdraft facilities on a current account.

Despite all the risks on the personnel and business side, market entry through a new set-up in the GDR undoubtedly offers great opportunities. New suppliers can focus on target segments, then offer a product range according to requirements, and develop an efficient set-up and processing organization, including a marketing concept. By proceeding purposefully from the beginning, wrong developments and wild growth can be avoided from the start. For this, experience from the basic business in the FRG can be transferred much more directly than in case of market entries into foreign markets.

In the GDR banking sector, also, the turnaround is already taking place. Numerous probes and initiatives are based on [the fact that] for the existing banking institutions, prevailing in the competition, even in partial areas, will be possible only through cooperation with West German banks. This cooperation will have a different look for the individual banks. The Deutsche Kreditbank AG [German Credit Bank AG] has already founded a joint subsidiary with the Deutsche Bank; its own activities will probably be limited to the financial management of the past credit portfolio. (As was to be expected, purchasers or partners, respectively, of old loan burdens have been released; otherwise probably no investor could have been found.) DABA [German Foreign Trade Bank] would also be well advised to bring still valuable assets into a partnership in order to be able to continue at least a part of its activities.

Savings and cooperative banks (including BLN [Bank for Agriculture and Food Production]) have better prospects for independent continuation of business activities—however, with a drastic reduction in market shares. For them, cooperation with corresponding banking sectors in the FRG is in the offing.

The difficulties and major tasks in the coming market for the remaining GDR institutions are different from those faced by the FRG banks newly entering the market. While the latter must overcome the shortage of resources and limit costs, the GDR savings and cooperative banks must mainly concern themselves, together with their strategic partners, with attaining enormous improvement in their marketing capacities. This has to be tackled at all parameters: organization, range of services, pricing, and marketing.

The marketing organization must be improved very rapidly in two regards. On the one hand, their present employees are not accustomed to sales-oriented action, they have hardly any experience in consulting and sales. Intensive training programs are indispensable, but they

alone will probably not be enough to fulfill future marketing requirements. Simple marketing control systems aiming at only a few success components will be just as necessary as initial steps toward success-oriented pay which are to improve customer information and the quality of service. On the other hand, most branch offices are in a not very appealing condition so that large investments for construction measures and technical equipment will be needed.

The product range, at present with great gaps, must be supplemented as fast as possible. That, too, requires training programs, but also system support, since automated implementation is indispensable, also for reasons of cost. As in the case of West German banks, the problem of the power grid must be solved. In addition, GDR banks must rapidly have at their disposal implementation software, and also the prerequisite hardware capacities. For many reasons, the existing EDP infrastructure in the GDR will not be able to satisfy the new requirements. A special subject will be the necessary conversion of existing old accounts.

Intensive Marketing Must Convince Customers

Particularly since it can be expected that primarily the "better" customers will shift as soon as possible to West German banks, an adequate pricing system must be established. The most important differences vis-a-vis the status quo are obvious: (1) Introduction of fees for payment transactions which up to now were free of charge, and (2), differentiation according to volume, financial soundness of customers, etc. However, GDR banks will have to adopt the strategic position of "low-cost/low-price" suppliers in order to make up for differences in quality compared to FRG banks.

Finally, intensive marketing must convince customers of the improved performance capability. The catch-up need is greatest in this field, since GDR banks must counteract the stigma of entwinement with the old system through active image polishing.

It is true that, through their knowledge of local conditions, existing links to their customers and the dense network of branch offices, GDR banks start out in the new market with certain advantages in dealings with private customers and smaller firms, particularly in rural areas. Nonetheless, savings banks in particular must expect drastic declines in their market shares, even if today's massive weaknesses are quickly remedied.

Partners Are Needed for Improvement Program

It is evident that this enormous improvement program cannot be implemented without lasting help from the West German cooperation partners. Experts for personnel training, for example in sales and consulting subjects, as well as for questions of product shaping, pricing, EDP and marketing, and above all for project management, are probably rare in the GDR. Even in the FRG these specialists are scarce and hardly dispensable.

For this reason, it must be the major task of the cooperative and savings bank sector to make sought-after know-how available in start-up centers such as a top institute or special service enterprise, for EDP services for instance, thus helping the many individual banking institutions. Under certain circumstances, the success or failure of the two sectors will hinge on whether scarce resources can be pooled in an integrated system or top institute, or if in the GDR, also, a regional splintering takes place due to special interests.

The same holds true for GDR institutions and their Western partners as for new West German suppliers: Decisive for the market positions in the coming years will be not only the quality of new strategies, but also the speed with which they are developed and implemented. Namely, if GDR customers also have great loyalty for their bank, then in the longer term those banks will be ahead which have already won over the first customers in the competition now setting in. Initial market research studies, at present being worked on, will provide important orientation help for quick and sound action.

Transitional Management Seen As Option

90GE0155B Duesseldorf HANDELSBLATT in German
15 May 90 p 7

[Article by Dr Ludolf von Wartenberg: "Management Companies As A Provisional Measure—A Temporary Solution Until Ownership Questions Are Settled"—first paragraph is HANDELSBLATT introduction]

[Text] Among the most astounding revelations after the November revolution in the GDR is the lack of adequate information on the situation of enterprises in the GDR. It is only gradually becoming clear that, according to the demands of the world market, many GDR enterprises are not able to compete, or only conditionally so. Elimination of the shortfalls now appearing—which is also urgently needed in order to avoid long-lasting high unemployment in the GDR—requires that the essential standards of enterprises of Western industrial states be taken over as soon as possible. Above all foreign capital and technical, managerial and scientific know-how must immediately be made available to GDR enterprises.

Participations of foreign, i.e., West German or foreign, enterprises in GDR companies could most easily satisfy this demand. However, they are confronted with a large number of factual obstacles. For example, the present balance sheets of combines and other VEBs are completely unsuited to reveal the enterprises' situation to a potential investor. As a rule, assets are greatly overestimated, while risks such as those stemming from old ecological burdens are not at all reported, or only inadequately so.

Questions of ownership, particularly that of the land and ground, are mostly unsettled. The trust institution, established by the decision of 1 March 1990, evidently is permitted to issue share holdings in combines which are now being transformed into joint stock companies. But

in many cases it is unknown how the land and ground is to be treated on which a certain enterprise in the GDR is situated. Hence a foreign investor has no guarantee of acquiring the property or other definite material right of his location of activity.

To resolve this dilemma, one could resort to a procedure which proved itself [useful] after the last war when the British occupation force was working toward restructuring the German steel industry, requiring several years, but which was not permitted to impede immediate economic activity of that sector of industry.

Convincing Example: The Restructuring of the Steel Industry

At that time, economic units intended for the continuation of steel production were separated from their prior corporation ties and entrusted to newly founded management companies which started up production without delay on the basis of so-called company utilization agreements.

This measure was provided for a transition period during which the difficult questions of reassessing the production plants and reshaping the legal and ownership status were properly solved. After expiration of the transition period the management companies were transformed into so-called unified companies. The old companies contributed the fixed assets, let on lease up to then, to the unified companies for the granting of shareholder rights.

Parallel to this situation, participation in a GDR enterprise (old company) could be brought about not through the direct route of purchasing shares in this enterprise, but indirectly through a company newly to be founded (management company). It is not important in this case whether the shares in the management company are assumed by the trust institution, the old company and/or the foreign investor.

The management company is established for the task in particular to manage the operative business of one or several of those parts of the old company which appear capable of surviving. The management company is provided only with the minimum capital legally permissible. As a rule it is advisable that the foreign investor with his personnel assume a management function in the management company.

The further technical shaping could be done within the following framework: Relations between the management company and the old company are based on a private-law company utilization agreement which should follow uniform guidelines. Subsequently the management company takes over the fixed assets of an old company or operating part of the old company, similar to a leaseholder, for use and company management under its own name and for its own account.

In addition, authority to sell individual assets according to company-usual rules could be agreed upon. The

management company must assume maintenance responsibility for the objects taken over. Expenditures increasing the value of the taken-over objects as well as depreciations, write-offs in particular, will be settled only at the expiration of the company utilization agreement. The same applies to the assessment of the leased fixed assets; a rental fee is not set at first, either.

The management company is entitled to enter into contracts held by the old company to the extent that these concern delivery and performance relations with regard to the company or part of the company taken over. The same applies to labor contracts.

Obligations vis-a-vis the State Bank are not assumed. The management company buys the necessary working capital from the old company and third parties. The old company can use the proceeds to reduce its debts.

The later settlement with the old company is prepared through special accounts. As debit items of the management company must be listed above all the user fee, taking into account accrued depreciations (write-offs) of the leased fixed assets; as credit items, all expenditures in favor of the old company, such as for repairs, replacements, interest, and taxes. Fixed assets which are the property of the management company (working capital, new investments) are not included in this settlement.

The financing of the capital stock or ordinary share capital of the management company is no problem since the amount is limited to the legally permissible minimum. Financing needs going beyond this limit must be covered by foreign investors through granting own or outside capital as well as through bank loans.

An important purpose of the transition phase with the inclusion of management companies consists in providing for parties interested in participations and for lenders a basis for assessing the viability of the respective economic units. In the interest of a highest possible value as an indicator and also for tax purposes, the accounting system should be oriented to a high standard from the very beginning.

Uniform Introduction of Standard Industrial Form of Accounts

Uniform introduction of the "standard industrial form of accounts" would be suitable, which at the same time would create a basis for applying EC guidelines or the law on accounting guidelines. Despite its name, the standard industrial form of accounts is not set up industry-specific, but can basically be applied to all sectors.

The management company as a joint stock company is in principle an independent taxpayer and is subject to taxation according to the general rules, independent of the old company. Only if, and to the extent that, there is affiliation with the old company as the parent company, the old company's taxation criteria must be added.

Taking into consideration that assessment and accounting can only be carried out at the end of the

transition period, this transition period could be compounded into a uniform tax assessment period.

Assessment of the leased fixed assets should be carried out as soon as possible, but must be presented at the end of the transition period at the latest and must be retroactive for the beginning of that period and its course. It should be done according to uniform yardsticks also to be recognized for taxation purposes.

Through Non-Cash Capital Contributions to the Ultimate Company

The transition from the management company to the ultimate company occurs essentially through non-cash capital contributions. The old company or the trust institution, respectively, brings the hitherto leased fixed assets and their offset account balance into the management company and in return receives company stock.

Outside investors must be similarly included in the holdings when exercising their option; if they have previously granted loans, bringing in their claim in exchange for company stock should be considered. In order to avoid overindebtedness in the short term and ease entry of new shareholders, own capital is to be divided within the framework of non-cash capital contributions into capital stock or ordinary stock and reserves.

At the conclusion of the transition phase and establishment of the ultimate companies, company stock held by the trust institution or the old companies, respectively, should be privatized entirely or in part. The proceeds would be available above all to cover the loans accepted from the State Bank which were not assumed by the management companies.

Energy Kombinat, BEWAG Plan to Coordinate Service

90GE0152A Berlin *BERLINER ZEITUNG* in German
22 May 90 p 3

[Article by Birgitt Eltzel: "'Energy Kombinat Is Not Up for Sale'—BEWAG Concludes March Agreement for Economic Cooperation in the Energy Sector"]

[Text] Is BEWAG [Berlin Electric Power Company] buying into the two state-owned energy Kombinats Berlin and Potsdam? How compatible are such efforts with the desire for a more environment-oriented energy policy and what is the Senate doing to prevent those in charge from making the wrong decisions. Those were some of the questions representative Haertwig Berger (AL) [Alternative List] put before the West Berlin parliament during a question and answer session. The following answer is quoted from a written Senate statement issued after the session: In March of this year, BEWAG and the Energy Kombinat Berlin have decided on a basic agreement for cooperation in the energy sector. It is the purpose of this decision to provide their regions with power that is as cost-effective and clean as

possible. BEWAG is seeking similar cooperation with the Energy Kombinat Potsdam.

This information was confirmed by Dieter Barth, former director general, and executive manager of the Energy Kombinat Berlin since 11 May. According to him, there is nothing in the works to form a merger or a joint enterprise. Although some ideas exist as to the formation of a subsidiary company, the realization of such a project is still far into the future. Cooperation between the two companies could eventually supply power to housing and industrial areas likely to be built on land that is at present still part of the East-West border. At the moment, however, technology precludes such an undertaking. The insular power grid of West Berlin and different heat distribution systems are the two major obstacles. But as the city moves together more and more closely, such plans become more compelling. Political and economic union go hand in hand.

The Energy Kombinat seems to see things in the same light. In accordance with trust legislation it is arranging the transformation of the state-owned Kombinat into two stock holding (AG) companies: Power Supply Berlin AG and Gas Berlin AG (the present gas supply division of the Kombinat). Balance sheets were closed on 30 April with the actual transformation to be completed in June. Both enterprises are to have similar structures based on those of BEWAG and GASAG.

Dieter Barth emphasizes that "we will do everything possible to keep all of our 7,500 employees." He points to vocational retraining courses that started in April. One of the first courses was designed to retrain boiler attendants. Other courses will follow, because restructuring will not only reduce existing jobs to cost-effective levels, e.g., those in the administrative sector, but it will also create new ones. Dieter Barth says: "We want to transform and expand our service in the electric energy sector." For this purpose we are planning to open a customer consultation and service department. An office will open sometime this year once a suitable location is found. Gradually, other offices will be added in the various precincts of East-Berlin. No longer will it be necessary for customers with complaints or questions to fight their way to the Energy Kombinat—the Kombinat will come to them, as is customary in a service-oriented industry.

"And what is currently going on between BEWAG and the Energy Kombinat?" we asked Barth. He answered that a joint planning group in the technical sector has been at work since the end of last year to improve power grids for the supply of energy and heat. He adds that joint task groups are improving technology, and that there is cooperation on several network levels—especially for the purpose of exchanging information. This makes good sense: Both energy suppliers are already using common power reserves in case of power failure—as happened last February at the transformer station in Klingenberg when BEWAG came to the rescue

"Does that mean that BEWAG is mostly on the giving end," we asked. "We have something to contribute as well," replied the executive manager; "for example our in-house vocational training. Even our partner admits that it is solid and thorough." Also, this year, the Energy Kombinat has made BEWAG an offer to service BEWAG's power plants, because BEWAG is not an expert in this field and has always contracted with outside firms in this regard. "We consider this another right move towards market-wise management," Barth says.

What about subsidies and the market economy—is there a contradiction, we asked. "Of course," Barth said, "and it slows down the process of bringing both companies together." He has no illusions that subsidies for electricity, heat, and hot water will be dropped, but he is not sure when, and how it will affect consumers. He quotes Minister Steinberg, who should know, as saying that costs per kilowatt hour could reach anywhere between 25 and 28 pfennigs. BEWAG on the other hand charges 49.4 pfennigs for the first 60 kilowatt hours per year; thereafter prices are graduated downward in proportion to use. It is questionable whether this latter pricing system acts as an incentive to save energy, because the more you use, the less you have to pay.

Charging more for electricity and heat (accurate measuring devices for individual households are still needed) is a mechanism to entice consumers to save, and at the same time it will help protect the environment. The regional committee for Berlin Brandenburg takes environmental protection very seriously; some of its representatives are from the Energy Kombinat Brandenburg and BEWAG. The Energy Kombinat lags behind BEWAG in environmental matters, but it is soon to score its first success. A British firm has installed scrubbers for the heating plant in Rummelsburg and if trial runs during May prove satisfactory, the plant is going to start operating at full capacity.

New Postal Communications Minister Interviewed

90GE0154A Berlin DIE DEUTSCHE POST in German May 90 p 97

[Interview with Minister for Post and Telecommunications Dr Emil Schnell by DIE DEUTSCHE POST editorial staff on 23 April 90; place not given: "A Profile Sketch of The New Minister"—first paragraph is DIE DEUTSCHE POST introduction]

[Text] On 23 April 1990, less than a week after the new minister took office, DIE DEUTSCHE POST had an opportunity for a first interview with Dr. Emil Schnell, new minister for post and telecommunications. He emphasized that he is just beginning to understand his new responsibilities and that he is very keen on consulting with experts in the communications field. Of highest priority at present is the creation of transitional structures to merge the two administrative systems

smoothly once the union with the West German Bundespost takes place in 1991. The minister plans to create the office of parliamentary state secretary to assist him in dealings with the People's Chamber, its committees, and with legal affairs.

[DIE DEUTSCHE POST] First to your background. You are not a postal official yourself. Do you see that as a handicap because you lack the experience or as a plus because you still can see the forest despite all the trees?

[Schnell] I have always been problematic, and after having served my three years in the Army where I was a short-wave operator and had become interested in transmission technology, I decided to study physics. After my studies at Magdeburg, where I specialized in electronics and microelectronics and earned a Ph.D, my family and I moved to the more scenic town of Potsdam in 1984. I worked in the research institute for high pressure physics of the Academy of Sciences and was busily studying the process used to create synthetic diamonds. While doing that, I also came in contact with automation processing, with soft- and hardware-related problems in micro-computing, and with office management. Thus, postal officials can rest assured that I know this field quite well.

I had no party affiliation until October 1989, when some friends and I organized the SPD [Social Democratic Party] for Kreis Potsdam-Stadt. I was made executive secretary. In mid-January, I asked the Academy to put me on unpaid leave so I could organize the campaign for the SPD. My leave was to last until mid-May and since the party could not promise support, I had to rely on my family who stood behind me in this endeavor.

At present, I hold four different positions: Deputy of the Peoples' Chamber, SPD party official, minister, and member of the council of ministers. I am very interested in modern communications technology such as telecommunications via satellite, light-wave transmission, and so on. Modern telecommunications are the prerequisite for an efficient postal service system and for better consumer service. I am 36 years old and—as mentioned earlier—not a born and bred postal official. I see this as an advantage, especially since my training will allow me to catch up quickly. I regret not having had more direct experience in the postal sector. I do like stamps a lot, and nice stamps can get me quite excited. I'll certainly keep an eye on new stamp issues, both for aesthetic as well as for monetary reasons.

[DIE DEUTSCHE POST] In DIE DEUTSCHE POST, Vol. 35, 1990, Nr. 2, pp 48/49, we asked your predecessor, Minister Dr. Klaus Wolf, some questions related to consumer complaints. Do you accept the remedies proposed by him or do have other ideas?

[Schnell] I like what Dr. Wolf has done, especially with regard to the planned postal union and new structures for the Deutsche Post.

The ministries of both countries are continuing efforts to blanket both states with publicly sponsored TV programs. But when it comes to commercial programs, I prefer to give other problems priority.

For example the telephone network. We are working to set up 100,000 new hook-ups for 1990. But this number is a drop in a bucket if one considers that out of a total of 1.2 million applications, 126,000 come from Leipzig alone, 113,000 from Karl-Marx-Stadt, and 111,000 from Dresden. Starting in 1991, we should be able to handle several hundred thousand phone connections a year, so that by 1995, we can give 45 to 50 inhabitants out of a hundred their own telephone. Today, fewer than 10 inhabitants out of a hundred have their own phone. In addition, by 1995, we will have 25,000 new pay phones to ease the communication situation in rural districts. As concerns the newspaper and periodical market in the GDR, I would like to say that it is up to the ministry for media policy to remedy whatever problems exist. The Deutsche Post, though, needs to make an effort if it wants to become competitive in the postal newspaper and periodical distribution market. We need additional personnel to shorten delivery times.

[DIE DEUTSCHE POST] This brings us to internal postal affairs. Workers have a series of demands. Where do you stand on this issue?

[Schnell] I would like to call your attention to the publication "An Open Letter to all Postal Employees" issued by my predecessor Dr. Wolf on 9 April 1990. I support the way he defines present problems and the solutions he suggests.

I see nothing wrong with asking for more money and vacation time, but to ask for everything at the same time and to make these demands retroactive to 1 March, I find highly illusionary and untenable. Salary increases are scheduled to go in effect by 1 July at the latest, and we are currently debating if we can't meet this deadline before monetary union takes place. I hope this will satisfy immediate demands.

The question of whether postal workers should be classified as civil servants is currently not on my agenda.

[DIE DEUTSCHE POST] Thank you for the interview and much success in your future endeavors.

HUNGARY

Parliament Acts To Reduce Enterprise Mutual Indebtedness

25000739G Budapest NEPSZABADSAG in Hungarian
31 May 90 p 4

[Unattributed report: "No More Harakiri"]

[Text] By an unusual unanimous vote of 338 yeas, the National Assembly approved an amendment to Law No. 11 of 1986 concerning the liquidation of enterprises. The

law has been amended several times already. The new amendment was the topic at a briefing during recess, held by Ivan Szabo on behalf of the Committee on the Economy and Karoly Attila Soos for the Committee on the Budget, Taxation, and Finance. The next to the last amendment, Law No. 22 of 1990, required enterprises to initiate bankruptcy proceedings if they became insolvent. This is called the "harakiri law" in professional circles. Based on Wednesday's amendment, however, certain enterprises which requested the liquidation of other organizations indebted to them in excess of their own indebtedness, are not obligated to request that they themselves be liquidated.

The intent of the amendment is to discover the real big debtors—the monopolist enterprises, and to take these debtors out of the mutual creditor-debtor "standing in line" [process] that evolved because of them, so that small and medium-sized plants can prosper—plants that are only the victims of mutual indebtedness and would otherwise be profitable.

Experts estimate the number of big debtor enterprises at between 30 and 40, but they have not yet succeeded in putting together an accurate list. Among other matters the new amendment also serves this purpose. The manner in which this amendment will increase the growing line of unemployed could not be determined either, but after implementing this amendment experts are counting on at least 100,000 unemployed. Nevertheless, this measure was by all means necessary during the period prior to final settlement. Absent this measure, the entire financial system was threatening to collapse. Accordingly, we may count on seeing practical steps soon, even prior to the summer session of Parliament.

Reassurance Provided on Agreements With GDR

25000739E Budapest NEPSZABADSAG in Hungarian
29 May 90 p 2

[MTI report: "Financial Three Plus Two Will Be a Regular Phenomenon"]

[Text] In the future, the finance ministers of the FRG, Switzerland, Austria, Hungary, and the CSFR will meet regularly, according to a statement made by Finance Minister Ferenc Rabar to MTI [Hungarian Telegraph Agency], after his return from a trip to Austria. He took part in a conference of the five countries' finance ministers.

During the weekend the finance ministers of Austria, the FRG, and Switzerland held their usual, annual exchange of ideas at the Schlosshof in Lower Austria. For the first time the Hungarian and Czechoslovak finance ministers also participated. Rabar said that the main topic at the joint meeting pertained to Hungarian-German relations and the support to be provided to Hungary. His colleague from the FRG reassured Rabar that the monetary union will not adversely affect Hungarian-German relations. Contracts consummated between the GDR and Hungary will continue to be enforced in Germany in the

process of becoming unified. In the longer term a booming German economy will by all means provide advantageous market opportunities for East Europe, and mainly for Hungary and the CSFR. On the other hand, no mention was made of how the short-term concerns that arise in the process of unification, and which affect Eastern relations, will be resolved. In any event, it is by all means noteworthy that the finance ministers of the three West European countries will include Hungary and the CSFR in their future conversations, according to the Hungarian finance minister. This indicates that East Europe's stock is appreciating in the region. These meetings are expected to take place annually, but more frequent meetings will be called if warranted.

Rabar traveled to Paris on Monday, for the signing of the founding documents for the European Reconstruction and Development Bank. The document was signed by the 42 stockholders, including representatives of Hungary. The bank is a rather important institution from Hungary's standpoint, according to Rabar. It may provide significant help by financing the private sphere and the infrastructure to accomplish structural change and to accelerate the establishment of a market economy. Hungary has good chances of receiving loans from the bank because it is here, in all of East Europe, that privatization will take place at the fastest pace. This bank is also suited to provide information to the East European market economies now in the process of evolving, and to the new governments concerning the economic situation of the region and about planned and ongoing investments, thus replacing CEMA institutions whose operations are increasingly on the decline.

Bod on Industrial Policy, Foreign Investment, Privatization

25000739D Budapest NEPSZABADSAG in Hungarian
25 May 90 p 7

[Interview with Minister of Industry and Trade Peter Akos Bod by Szilvia Hamor and Judit Kozma; place and date not given: "We Should Compete with the Turks and the Irish—Bod on the Chances of the Economy"—first paragraph is NEPSZABADSAG introduction]

[Text] Peter Akos Bod is 39 years old. An economist, he served as a division director in the Planned Economy Institute of the National Planning Office. He worked as a UN expert in the developing world, and taught as a guest lecturer at an American university.

[NEPSZABADSAG] Fifteen years ago your initial publications dealt with industrial policy dilemmas. What were those dilemmas and what has changed since then?

[Bod] The basic question was the same at that time as it is today. Medium quality, material, energy, and labor intensive products which also characterize Hungarian industry have depreciated. Cheap energy conserved the industrial structure, and so did the fact that medium quality processing industry products were accepted in exchange for energy. The fact that operating capital

began to enter the country represents perhaps the only development that took place during the past years. We cannot speak of an influx of operating capital even at this stage of course, because foreign capital covers only two or three percent of the investments. But General Motors is here, Suzuki is coming.... In this way the dispute over the government having to assign which are the leading branches and what we must get rid of may be discontinued, because external supply and demand determines the outcome. The manner in which the Hungarian economy should respond to these external "stimulants" represents the industrial policy issue.

[NEPSZABADSAG] Based on experience thus far, however, not much capital has flown to industry. But it flowed even more so to places where there is quick return: commerce and foreign tourism.

[Bod] It is difficult to take a position in this regard. Because it is true: The capital thus imported is being turned around two or three times, and this produces very large profits. At the same time, commerce is the weakest link in the Hungarian economy. We may be able to produce, but frequently we are unable to sell our goods. And this is not because the quality is so bad, but because we do not have the appropriate contacts in the marketplace. Accordingly, in and of itself the building of these channels represents value. Together with this, one must ponder whether capital flowing into commerce should enjoy the same advantages as let's say investments made in the processing industry. I do not believe so. Because a foreigner will not be able to remove the plant overnight if he invests his money in industry, and on top one could assume that he would also guarantee exports. Thus he should receive preferential treatment as compared to those [who invest] in the service sector.

[NEPSZABADSAG] Accordingly, you feel that identical tax provisions should apply in commerce to joint enterprises and domestic enterprises, while the importation of capital for industrial purposes should enjoy preferential treatment.

[Bod] That is the essence of my idea. Adding that the conditions for foreign investment must not be deteriorated to be on par with the conditions for domestic investments. In that case we will not be able to stay in the race with other competitors also aspiring to receive foreign capital. We must compete with Yugoslavia, Poland, Turkey, Tunisia, or Ireland, in other words, we must not present worse conditions than they do. If someone invests \$100 million somewhere he will seek guarantees, perhaps some real property or cash contribution, and an environment which is stable in the long term. This is the international practice. I see this as justified in the case of long-term investments.

[NEPSZABADSAG] Nevertheless, the typical example is that a foreigner acquires part of some property, then does nothing more than take out the profit. How is this going to result in structural transformation? Regardless of what kinds of benefits we offer, foreign capital alone

without the Hungarian citizenry will not resolve the concerns of the Hungarian economy

[Bod] If they do not bring technology, they bring along a market. This also amounts to a lot. They integrate the Hungarian enterprise with the international commercial network. Middle-class development is yet another question. Neither do I believe that we should rely solely on foreign capital. In certain sectors, such as in commerce, mixed ownership evolved, and this process must be further strengthened.

[NEPSZABADSAG] Responsible Hungarian Democratic Forum [MDF] politicians have stated several times that the 90-percent ratio of state ownership must be reduced to between 20 and 30 percent. But I still do not see where the citizenry has the money which could turn them into owners.

[Bod] I regard the 90- and 20-percent ratios only as an illustration: Let us regard these as synonymous with "large" and "small." I would assume that a preponderance of state ownership will remain in the base materials industry, while it will not in the processing industry. The next question is "how," and this is the strategic question for the Hungarian transition. To accomplish this we must enact the privatization law as soon as possible. The purpose of this law would be to accelerate privatization where needed, and to discontinue the "vacated" enterprises, the property management centers without functions. Regionally differentiated solutions must be applied in the course of implementation. In my view a mixed economy may be developed quickly in regard to industrial services and activities of a small trade character. There are a series of functions in large enterprises which could be performed in a more flexible and less costly manner by subcontractors. Accordingly, I perceive the change within the "hard core" of industry by accomplishing rapid decentralization in part of it, while in the other part rapid internationalization takes place. Enterprises with more than 5,000 employees should not be sold as units, but in smaller units, plant by plant. Selling each of these as a unit would be a rather hopeless undertaking anyway in the absence of a functioning stock exchange. Even Hungarian entrepreneurs have enough money to buy a social service center or a screw manufacturing unit. It is rather difficult of course to sketch the entire process in detail, because we are jumping into the dark....

[NEPSZABADSAG] And what will happen to firms managed by enterprise councils, such as Ikarus or Videoton?

[Bod] There are two solutions. If the firm is forced into bankruptcy, its self-managing character will cease and a bankruptcy commissioner will head the enterprise. But this may be prevented or accelerated by returning these enterprises to state administrative supervision. I still have difficulty in making statements in regard to specific questions like this, because I would like to orient myself

first. I believe, however, that these large vertical integrations cannot be entrusted only to the automatic reflexes of the marketplace. We must not pretend that the state has nothing to do with them.

[NEPSZABADSAG] You also said that enterprise councils should be discontinued.

[Bod] More accurately, what I said is this: Their ownership rights should be discontinued. Accordingly, enterprise councils play a role as a participatory forum. But the kind of ownership right [which enables] the head of an enterprise backed by the enterprise council [to decide] if he should or should not privatize, amounts to so much added entitlement that it was not included even in the original concept. And, of course, it is not part of the normal market economy practice either. Simply put: It does not work this way.

[NEPSZABADSAG] What is the minister's role, in your view? Does he represent the trade in government, or the government in trade?

[Bod] In a democracy with a multiparty system he represents the government in trade, I believe. Because in this "setup" there must be a coherent government program which can be implemented, and the debating partner of the minister is not another minister, let's say the finance minister, but the opposition. It is not the function of the minister to lobby, transmit, or do justice in regard to microeconomic issues. His function is what we talked about: to develop industrial and commercial policy, and to establish conditions needed for the functioning of the trade. Incidentally, in its original meaning the term "minister" means "servant." But he is not the servant of a trade, he serves the cause.

[NEPSZABADSAG] You are facing a serious task, because you are not taking over a ministry, you must establish a new one, and the economy must remain operational in the meantime. How will you divide the tasks?

[Bod] Ministers must begin to define functional areas before they take office. I began a certain kind of organizing work before I took office, I requested professionals to think through the situation of their respective fields, the developmental perspectives of those areas, and the contact points. There are, of course, certain borderline areas such as foreign tourism, technical development, structural policy, and the coordination of the influx of capital. But those certain 120 days are for this purpose, to establish the government structure, to permit that the handing over, the taking over, takes place. We are thinking in terms of a different, and far smaller, state administrative structure. This is no secret.

[NEPSZABADSAG] Specifically, what does this mean in your field?

[Bod] At present the Ministry of Industry has about 350 employees, and the number of employees will not be greater in the Ministry of Industry and Commerce either.

I am relatively well acquainted with the organization and staff of the industry ministry, and I have a very favorable view of a few professionals and fields of profession. Unfortunately, however, many of these have left. And despite any statement made to the contrary, the largest factor that played a role in this regard was the unfair, low level of pay. Ministers and deputy ministers have not received a salary increase for the past year and a half, and since then we have experienced an almost 40-percent increase in inflation. A majority of those who have left will earn substantially more money than they did before. On the other hand, discontinuing parallel functions, and the reduction in force that presents itself as a result of attrition, provide an opportunity to formulate the new ministry. Further significant savings will be made possible by buildings being vacated which may then be sold. I want to use these savings to increase salaries, and I do not feel that it is inconceivable that salaries would increase by 40 percent. I do not believe that the finance minister could dissuade me of this. If for no other reason: The rest of the ministries, including his, are struggling with similar concerns.

Economic Cooperation Patterned After Old Monarchy

25000740A Budapest NEPSZABADSAG in Hungarian
31 May 90 p 7

[Article by Istvan Matko: "The Monarchy Is Only a Memento—Is Austria Establishing a New Integration? The Former Hungarian Deputy Minister Will Be Austrian Industry's Ambassador to Budapest"]

[Text] Not too long ago Austrian Foreign Minister Alois Mock made an interesting remark in one of his statements: "For the first time since 1918, since the termination of the Austro-Hungarian Monarchy that is, we have an opportunity to formulate a new Central European structure.... The consequence of the new European structure is the evolution of a certain kind of competition with Budapest and Prague."

Any visitor to Austrian Government offices these days will discover signs that cannot be compared to anything. As if caring, cautious, gentle hands were wiping the dust off of the maps of the peacetime monarchy. Moreover, it seems as if the historical background is becoming filled with new spheres of strength—well, not as a result of the world of emotions based on false nostalgia, but in response to some very practical needs. Visible is the fact that the East European landslide did not come unexpectedly to Austrian politics; they had already decided to act, based on sober strategic [considerations] primarily in the economic field.

A factual piece of information first of all: Austrian-state industry which consists of seven large concerns—ranging from the energy industry through the machine industry to the chemical industry—will open nonprofit representative offices in Budapest and Prague. They intentionally scheduled these events to take place simultaneously. The

function of these representative offices will be to start up Austrian-Hungarian and Austrian-Czechoslovak cooperation in a more highly motivated and organized form than before. (The newspaper KRONEN ZEITUNG the other day reported in bold headlines: "The Great Catch of the Austrian Industries Corporation [OIAG] Is That the Hungarian Deputy Minister Will Be the Leader of Its Budapest Residence." The report is true. Szabolcs Fazekas, the person who until recently managed the Nemeth government's secretariat on the international economy, has agreed to direct the Budapest representative office of the Austrian industry.)

Wonder-Working "Mixed Cold Cuts"

But in order to accurately understand the significance of the Austrian initiative, let us shed some light on what is behind the official title that seems to be boring. It is the new organization that is trying to overcome the bankruptcy of the Austrian state industry. It is overseen at the ministerial level by Rudolf Streicher, and its president is Dr. Hugo Sekyra. It is well known that the second oil crisis that swept through Europe also decimated our Western neighbor's economy. The steel industry has virtually collapsed, scandals have weakened the chemical industry, and the machine industry and a few large enterprises find themselves in a difficult situation. Some star managers of Austria presented an interesting and stunning proposal: Let industrial management be freed from politics, remove the party cadres, and replace them with absolute professionals. Streicher believes that ownership rights do not fall in the ideological category—despite the fact that something belongs to the state, it may be good and economical. After arguments at knife point the parties voted confidence to the method, a crisis staff was established, and Austrian Industries evolved which, to use Streicher's words, is a state enterprise empire managed under the rules of the private economy and on the basis of private economic interests. The fact is that this [platter of] "mixed cold cuts" may be capable of doing miracles, because the "lead-footed giant" regarded as dead, has gotten up from the floor by now. Here is proof: In 1985, at the time Austrian Industries was established, it produced a loss of 14 billion shillings. Losses amounted to 11 billion in 1986, 8 billion in 1987, and 3 billion shillings in 1988, but last year Austrian Industries stepped across the magic borderline: The loss changed into a 5 billion schilling profit.

On 14 May Streicher told this writer in his Vienna office almost verbatim the same as what the foreign minister had to say. That Vienna envisions a new, promising situation, and that it wants to take advantage of it. The monarchy was a peculiar historical antecedent, which in any event proves that people along the Danube were able to coexist for a long time within an integration. The opportunity here is for these people to find each other once again on an equal basis in the framework of democratic forms, because their natural interests drive them in this direction. We must get beyond noble words and declarations—the time for practical implementation

has come. For example: Conditions for an Austrian-Hungarian-Czechoslovak industrial division of labor appear to be excellent. The methods and forms of this can be developed quickly; at this time Austria spare no investments to accomplish this. Among these investments and initiatives the first spectacular step is the establishment of offices in Budapest and in Prague. These are financed expressly by the Austrian state industry. I asked the minister what the actual objectives of Austria are. He had this to say: "We do not wish to appear as some kind of a new colonial [power], but as a business partner."

The Eastern Connection

Director Dr. Georg Turnheim, one of Austrian Industries' theoreticians discussed with me whether the new Austrian industrial concept and the above-described initiative has anything to do with the suggested new economic cooperation. "Today Austria stands out among Western countries because a rather respectable part of its trade is transacted with the Soviet Union and with East European countries. At present the annual volume of this trade amounts to 15 billion shillings. We want to increase this volume in the course of five years to 30 billion shillings. We would like to see our energy and electrical systems linked with Hungary and the CSFR. In this way we could render the supply of participants more secure because we would have available oil from the North sea and from the Arabian sources in the Near East, as well as oil arriving through the Soviet Friendship pipeline. Another example: We would apply joint development and cooperative strategies in the manufacture of steel. The CSFR, the largest producer, the Hungarians, and we could conduct business negotiations thus eliminating the elements of economic fluctuation. Hungarian aluminum industry could support Austrian replacement supplies, the Hungarian metal industry could receive its share from high quality Austrian technology, etc. But similar advantages may also result if we link the oil refining capacities in the three countries."

Considering the Austrian initiative there is hardly any doubt that Austria believes that the East European transformation offers a new role for her to play. As one of the most highly developed industrial states in the region which is experiencing a new, dynamic period in its development, it may profit from the new political and economic developments. But Austria wants to play this new role exclusively on the basis of business, setting aside the endeavors and motivating principles of the monarchy, and in a way not motivated by considerations of power. Austria's concept is supported by the idea that it can offer to the East what is eagerly awaited there: a practical system of relationships toward the Common Market, toward the European Free Trade Association [EFTA]. Mr. Turnheim's data prove the extent to which the concept is not just theory: An increasing number of Austrian-owned firms are operating in the Common Market countries, thus in the Federal Republic of Germany, and today the output of these firms represents 15 percent of Austria's production. Austria intends to

increase this ratio to 40 percent by 1992, and at that time it counts on joining the Common Market. And until then... well, until then even Hungarian and Czechoslovak enterprises may join Austrian enterprises, meaning that they perceive the establishment of joint enterprises as a two-way street.

Triangle of Interests

The Court of Registry is working on the document needed for the Hungarian representation of Austrian Industries. These questions arise: Will the two countries compete for the Austrian lure? Will the already weak Hungarian industry suffer disadvantage as a result of the approach between Czechoslovak and Austrian industries? Or will we be saved from this because of our more highly developed economic-market institutional system, the fact that we have a corporate law, a dual banking system, and rules for state preferences? Turnheim's response: "It will take two months for the CSFR to catch up with whatever represents an advantage in Hungary. Undoubtedly, one must count on certain competition, because the Czechoslovak economy is in substantially better shape than the Hungarian economy. But it would be a shame to underscore this aspect: We are dealing with a naturally motivated common interest. Such interest has worked once in the history of this region, and this included much good—why should it be different now?"

Paks Nuclear Waste Transport Departs for Soviet Union

25000740E Budapest NEPSZABADSAG in Hungarian
7 Jun 90 p 5

[Text] At 0700 hours yesterday the 129 consumed fuel canisters produced in the first unit of the Paks nuclear power plant left the territory of the Hungarian Republic. The nuclear train consisting of four containers is heading toward the interior of the Soviet Union, under heavy guard.

Yesterday afternoon we asked Laszlo Gyarmati, an employee at the information office of the Paks Nuclear Power Plant Enterprise, why the transit of the nuclear train through Hungary is being handled so secretly.

[Gyarmati] "We were intent on announcing the first shipment of 1989, so that the populace would be aware of the kinds of security precautions we implement. But Soviet security requirements do not enable us to announce to the public the timing or routing of the transport."

The nuclear plant employee said that they are counting on the probable disapproval of the Soviet partners even for [releasing] this information.

It is expected that the transport will be repeated in 1990, because the basins next to the nuclear power plant units where consumed fuel canisters rest for five years are

filled. The canisters removed from Hungary are refurbished in the Soviet Union and are put to further use.

POLAND

Prospects for Making Coal Mining Profitable Examined

90EP0594A Warsaw RZECZPOSPOLITA in Polish
11 May 90 pp 1-2

[Article by Barbara Cieszewska: "Can Coal Mining Be Profitable?"]

[Text] PAP's statement, repeated by certain newspapers, that Polish coal mining is profitable, but inefficient, is something of a joke. This year, 9.6 trillion zlotys in subsidies was earmarked for coal mining. It is already known at this time that this will be too little. After 3 months, all of the mines together have attained a "negative financial result," i.e., a loss, amounting to 307 billion zlotys. Not a single one of the 70 mines made a profit. In January, only three mines made a profit. However, it quickly became clear that this was a short-term profit resulting from certain special situations.

All this data, however, does not mean that Polish coal mining cannot be profitable. Of course it can be profitable and probably will be profitable in large part, but not as yet, and certainly not this year. The reason for this is that mining reform is still in its initial stages. While things have been changing somewhat throughout the entire economy since 1980—if only in the advent of the three "S's"—coal mining was entrenched in the feudal system until the end of last December.

Employee councils were elected here only a month ago, while in the other economic sectors they have already often been determined to be an obsolete invention. Most of the directors of mines had become so used to the old, almost military system of managing mines that until January they did not even try to study the new principles, for "nothing will come of it anyway."

In January, 23 coal mines became independent. This was a shock. Now the same fate awaits the other mines. In a word, reform has finally begun here, and the mines are still stuck meanwhile in a lunatic financial system. Official prices are not based on the operation of the economic laws of supply and demand. The subsidies are completely gratuitous. The most interesting activity of the Krakow Solidarity Coal Mining Committee today is to decipher the principles underlying the allotment of subsidies by a certain department of the Ministry of Industry. A special research team has been appointed for this.

Another problem is the country's energy balance, i.e., the energy shortage. No one today knows how much coal we will consume next year or what our industrial picture will be. There are those who say that we can do a variant balance in order to determine how much coal we should

extract, whether or not to close mines, whom we should let live and whom we should allow to die. An interministerial team has already been appointed to deal with regions which are threatened by unemployment. While it seems that coal mining will be the subject of this team's efforts, it is only one of the problems. How are we to base decisions about the fate of mines if, as a matter of fact, no one today knows how much it really costs to extract a ton of coal using modern technology? At the Sosnowiec mine, e.g., it costs 268,466 zlotys per ton, but it is known that this also involves hidden costs of 44,000 zlotys, the amount of the coal mine's subsidy to a hospital which is a hospital for miners in name only. How much is paid to maintain nurseries, preschools and entire apartment complexes? Some time ago, the Julian mine in Piekary Slaskie was forced to finance a tunnel under the city. It has been doing this for 2 years. There still remains 160 meters to be built and Budex charges 28 million zlotys per running meter. All this is figured into the cost of a ton of coal. The director of the Julian mine—who was let go in 1981—is carrying on a really pathetic battle to do this with his own people because it would be less expensive. But the law is not on his side, since all the coproduction agreements concluded earlier are binding. He wanted to conserve water, since there is a severe water shortage in Silesia. He built a closed system. What good does this do, since he still has to pay 50 percent for the amount that was ordered last year? These are only minor examples.

Can Polish coal mining make a profit?

Director Eugeniusz Pawelczyk, also new to the [coal mining] community, says, "Not only can it but it must, for otherwise the entire concept of reform will perish." But this will happen only when:

- it becomes possible to determine the real costs of mining;
- there will be new coal prices (probably beginning on 1 July 1990. The best situation would be if these prices reached the level of transaction prices. In the opinion of Director Pawelczyk, they should trend on the average at a level of approximately 320,000 zlotys per ton); and
- we will know how much coal we need.

Only then will we be able to make a rational decision about the fate of mines. And it would be best if the market determined this. What about the present subsidies? Miners are already calling for a rational approach; they want to stop playing games. Says Director Pawelczyk: "We have already asked the mines to make their offers. What volume do they propose to mine and what are their costs? The most efficient mines will receive subsidies for the maximum extraction proposed by them. The less efficient ones will be subsidized for a lesser amount. Data on the distribution of subsidies will be presented according to these principles by the end of May. The introduction of a new price list is contingent upon this.

In the interim, an idea for an agency is being prepared. The task of the agency will be to coordinate mining work which individual mines cannot accomplish alone. The agency is to be paid out of the budget. This is in order to appease the miners who are always afraid that once again they will have to pay someone.

The idea of miner's rents is also being generated—somewhat painfully: an absolute rent payment for the use of a vein and a differential rent payment to equalize the differences in geological-mining conditions. Only those mines which show a profit, however, may be subject to these rents or, rather, taxes. Thus, they may become an issue only next year.

If all the necessary conditions are fulfilled, then according to the preliminary prognoses 75-80 percent of all Polish coal will derive from profitable mines. We already know today that three Walbrzych mines will not be kept: Viktoria, Walbrzych and Thorez. Moreover, there are two mines which will not become profitable immediately but are reaching their projected production capacity, plus those which are mining the last of the resources, thus ending their lives in a natural way.

Today we also already know the basic criteria which will perhaps determine the fate of mines in the near future. Docent Jan Maciejka made these public knowledge at a recent meeting at the Solidarity Krakow Mining Committee. They are the following:

"The sum of the costs of mining coal calculated in gigacalories must be less than or equal to the sum of the costs of purchasing coal from abroad, plus the costs of transport."

Based on this, if mining coal in a given mine is profitable, then such a mine will have a chance to survive and develop. If not, then we will import coal from abroad.

Closure of Walbrzych Coal Mines Anticipated

90EP0594B Warsaw *RZECZPOSPOLITA* in Polish
10 May 90 p 2

[Article by Zbigniew Wyczasny: "The Liquidator's Hammer Hangs Over Walbrzych"]

[Text] As yet no one has made an official announcement that the hard coal mine in Walbrzych is closing, but the matter is quite settled. Here no miracles can be expected. That is what they are expecting in Walbrzych and that is the conclusion to be drawn if one questions the representatives of the Mining and Power Industry Subcommittee of the Ministry of Industry.

As Jan Maciejka, general director at the Ministry of Industry noted, the idea of liquidating the Walbrzych hard coal mine arose 50 years ago. Meanwhile, various efforts have been made to keep three coal mines in Walbrzych itself going until today. Due to the high cost of mining under free-market conditions, it will be practically impossible to maintain these mines given the new criteria that the price of domestic coal must be lower

than the price of imported coal (with the cost of domestic transport obviously added to this).

The liquidation of mines is neither a simple venture nor a cheap one. Many new economic, legal and social problems arise. Moreover, many actions, especially in the social sphere are being embarked upon right now, before formal liquidation decisions are made. People who are let go from the mines must be ensured a way to make a living. Some of them will retire or will receive annuities, but for many thousands of people, new places of work will have to be created. How can this be done under conditions of a market economy? The idea has arisen to create an economic zone in this area, together with a tariff-free zone, to encompass Walbrzych and Nowa Ruda. In the zone, all those who wish to become investors will be temporarily exempt from taxes. After the first few weeks, more mature drafts are to be examined by government echelons. In June and July, work in conjunction with preparing technical drafts for closing the mines will be conducted.

The closing of the mines will not take place overnight. All indications are that coal will be mined in the Walbrzych mines until 1996-97, and even longer in Nowa Ruda.

Reforms in mining and the power industry have not yet been completed. The liquidation of both communities is to take place on 30 September, but new organizational forms which will be much smaller and will be free of command-type legalities are to arise earlier. In the gas industry, ensuring an increase in the extraction of gas from domestic sources and the possible acquisition of new sources of supply are basic problems. Given the delays in the building of the Jamburg gas pipe, Poland may not receive the volume of gas from the USSR anticipated in the international agreement.

Finally, the subcommittee heard the Ministry of Industry report on the subject of work related to the liquidation of five mines for other mineral raw materials, i.e., two salt mines, and zinc-lead ore, iron ore and fire-proof clay ore mines.

YUGOSLAVIA

Negative Aspects of Exports Discussed

90BA0170A Belgrade *EKONOMSKA POLITIKA*
in Serbo-Croatian 11 Jun 90 pp 10-11

[Article by M. Kostic: "Exports: The Price of Satisfaction"]

[Text] Since the beginning of the year, in "media presentations" which have been well-thought-out and well-timed by our standards, the federal government has been regularly informing the public about the movement of indicators essential to achieving its programmatic goal. Along with data on the movement of inflation, exports

are one of the "bright" points in the government's current balance sheet, which, with minimal fluctuations, has been maintaining a relatively stable upward trend this year. It is no wonder, then, that the May figures on the sudden drop in exports caused concern. According to the government, exports in May were down five percent from April, which meant that the percentage of growth of exports (which in the first months of the year were extremely high by our standards) over the first five months of this year would stick at about 15 percent. Although imports also grew somewhat less strongly in May than in the first months of the year, by the end of May they had recorded an increase of about 28 percent over the corresponding period of last year. Government representatives feel that the stagnation of exports in May is only temporary, but also that we should not expect any spectacular growth of exports before the end of the year. This is in fact confirmed by a survey of ZIT [Market Research Institute] in Belgrade (covering 250 enterprises) which showed that this year the growth rate of exports could be about 15 percent. The projections for this year planned a growth of exports of 8.3 percent, but the reduction of exports to the proportions contained in the plan, in view of the dropping value of the dollar and the three-four percent rise of prices in world trade, would mean that the physical volume of Yugoslav exports would remain at last year's level. This year's exports have been accompanied by a high growth of imports, which up to now have fulfilled their principal role assigned them by the federal government—to bring about the necessary competition on the domestic market and thereby help to reduce the inflated domestic prices, and at the same time to facilitate good supply and a broader assortment of the offering on the market. It is a particularly significant fact that liberalization of imports has almost completely solved the problems of furnishing the necessary production supplies and that linking the dinar to the mark has completely destroyed the "black foreign exchange market" and frustrated the high "extra profits" which were based solely on exchange rate differences. Aside from these advantages, there is a danger from a high growth of imports in that they could "anesthetize" domestic production, which might experience a further decline. However, since the first causes of the drop in production lie elsewhere, imports are in this case portrayed only as a catalyst of processes that already existed. There is also a negative consequence related to the growth of the deficit in foreign trade, which amounted to about \$1.1 billion in the first five months. However, by contrast with earlier periods, when the linkage of imports to exports made foreign trade almost entirely a function of the material results of exports, the Ante Markovic government has been persistently emphasizing that its concept is based on an altogether different view of the role of imports and exports, a view in which exports are no longer an instrument for creating foreign exchange (as it was put by Franc Horvat, foreign trade minister), but a key factor in the development of production and qualitative changes in the entire Yugoslav economy. In that statement of the issue, imports also ceased to be a necessary evil, or only an instrument

for intervention on the market, but rather there is insistence on their stability and regularity, as well as on the absence of any sort of restrictions except economic ones, and then only where this is indispensable and customary.

What Are We To Sell in the World?

It is not unusual in the least, however, for objections to the particular measures of the federal government to come from exporters. The so-called export economy, in the opinion of many, has been carrying the heaviest burden of the demands of current policy, but at the same time it has also been "most spoiled." In periods of strict administrative control, when the state needed foreign exchange above all to maintain normal production, which is highly dependent on imported production supplies, the strategy was formulated of "exports at any price," which through a combination of pressures and concessions encouraged precisely that—exported even when there were no results to be expected, exporting anything and everything. Exporters became so accustomed to the government being ready to make exceptions in their case that the conversation which Prime Minister Ante Markovic had in March with representatives of the leading exporters abounded not so much in demands for changing particular regulations as demands for exceptions to be made, whether it had to do with customs duties, import charges, or other regulations pertaining to business operation. For years, the exporters have criticized the excessive administration and interference of the government in their operation, but no one objected to the cheap money, the exemption from various import charges, the inefficient business operation, and the absence of responsibility, as well as the high incentives (in some periods, a dinar of incentives was obtained for a dinar of exports), which made exporting a completely noneconomic category. This situation is recurring again now, but in altered volume and form, and the most frequent criticisms pertain to the exchange rate of the dinar and the mark, which is said to have been unrealistic by at least 30 percent at the very outset.

At the same time, there have been no demands, either individual or through economic associations, to make an official correction in the rate. The advantages of this fixed rate, that is, do not lie solely in the fact that imported production supplies, for example, are essentially less expensive, as much as in the fact that in a period of general illiquidity on the domestic economic scene, proceeds from exports (assuming, of course, that export transactions are not concluded with any of the high-risk countries) are almost the only reliable income. At the same time, even though it is still possible to earn more on the domestic market than by exporting, where average prices are lower, the domestic market has been flooded with an offering of imported products. We should certainly add to this the figures that sales are dropping on the domestic market, both because of the competition from imports we have mentioned and also because of the reduced real purchasing power resulting from the freeze of wages and salaries. The possible

conclusion from all this might be that exports are really one of the essential opportunities for invigorating economic activity and achieving full utilization of capacity. However, we should not be too hasty with that conclusion. That is, it might turn out that the price of satisfaction with the high growth of exports would be too high for the effects it would produce. The figures show that Yugoslavia is in third place in the world with respect to the number of different articles. For a small economy, which in essential ways is not very highly developed, this could mean that everything and anything is being exported, since neither the quantities, nor the quality, nor the structure of export products can be seen as satisfactory. More than 40 percent of Yugoslav exports go to countries of the EEC and EFTA [European Free Trade Association], which in and of itself would not be bad, if it were not accompanied by other figures. Figures of the Institute for Economic Research in Ljubljana show that only 20 percent, at the most 30 percent, of Yugoslav products fulfill all the requirements of the EEC. That market puts quality above all else (not price), and it is therefore no wonder that complaints and returns are frequent. Last year, 0.25 percent of exported goods were returned, and complaints were made about one percent of exports (even from countries like Botswana, Guinea, or Burundi).

Poor product quality means that Yugoslav goods are sold on the EEC market at prices which are 40 percent below the average import prices. Thus, Yugoslav furniture, for example, sells in West Germany at prices which amount to no more than one-fifth of the prices of Italian manufacturers or one-eighth of Danish manufacturers. Still more indicative, all of 95 percent of Yugoslav products are sold below the average German import price. According to analyses done by international organizations (the UN, the OECD), almost two-thirds of Yugoslav products are technologically out-of-date and therefore inferior on the foreign market. It is possible to sell poor, ugly, and sometimes even spoiled goods on the world market, but at corresponding prices. Yugoslav exporters usually do not decide on exporting because of earnings, but in order to maintain utilization of capacity, to sell off inventories, or to ensure relatively stable earnings. They consent to prices which are one-third below those on the domestic market. Yet analyses show that nonprice factors are decisive when foreign customers are making decisions about buying. However, of the 30 nonprice factors quality is the dominant one, according to figures of the Market Research Institute. If we assign the figure 100 to the total competitiveness of the Yugoslav economy, quality in the strict sense would account for 24.6 percent and quality in the broad sense for 72.6 percent. The latter, according to criteria of the EEC, refers to assortment, adaptation to specific customer demands, the volume and continuity of delivery, reputation and trademark, consistency with international standards, packaging and packing, functionality and reliability, and so on. Yugoslav goods cannot claim distinction with respect to any of these criteria, and we can illustrate how important they are with the success of

the Japanese "defect-free goods" strategy, which presupposes detailed and rigorous inspection of every component built into the product. Failure to honor these requirements can explain the fact that many of the underdeveloped countries, and we might mention only South Korea, have surpassed Yugoslavia in exports.

Between 1963 and 1973, Yugoslav exports were larger than Korean exports. Today, South Korea is exporting \$60 billion worth of products, while Yugoslav exports amount to barely \$13 billion. Since 1985, the share of Yugoslav exports in world markets has been dropping steadily. In 1984, it was 0.55 percent, and last year it dropped to 0.44 percent.

Strategically poor orientation toward exports to the countries of the so-called Third World, where the dynamic change of imports is small and import criteria are low, is mentioned by international studies as one of the reasons for poor sales of Yugoslav products. It is very difficult to change habits and the thinking that everything can be sold and that it is better to sell just anything at all than to become involved in the fierce and merciless struggle on the markets of the advanced countries. Unless a conception is worked out for the development of overall production, given the great number of domestic problems, and unless there is up-to-date technology and design, it is not easy for domestic exporters, nor will it be any easier for them in the years to come. The future market of unified Europe is not going to wait for us nor call us. However, what is going to happen in 1992 is not the most important thing for Yugoslav producers. They still must be thinking about what is going to happen now.

[Box, p. 10]

An Enforced Strategy

A large number of Yugoslav exporters is exporting to the so-called high-risk markets, which is only a euphemism for countries which, usually because of internal problems, pay for their purchases irregularly or late or not at all. Goods are usually exported to those markets in order to sell off goods from inventory, to utilize capacity, and it is not a rare thing for the government to compel that kind of exporting on behalf of "higher" objectives. The markets of Cuba and Angola, for example, have a bad reputation, and the public is already informed about the problems of collections from Iran or Iraq. Also, the quality of goods being exported to those markets is such that they would hardly be able to pass on any other market with any standards. Frequently, collection is made for exports in goods, most usually petroleum. There are many examples, but the most indicative one is that of "Ikarus," which exported 500 buses to Cuba back in 1988. The total value of the deal was about 13 million pounds, but "Ikarus" has not managed to collect any of that, and, to make matters worse, there are additional problems because the Bank of Belgrade (which extended

the credit to finance those products) has regularly been "taking" the amount of interest on that credit from its account.

[Box, p. 10]

The Growth of Exports to the Advanced Countries

From 1 January to 28 May of this year, total Yugoslav exports amounted to \$5.6 billion, or 16 percent more than last year. Goods worth \$6.8 billion were imported, which represents an increase of 27.7 percent. The figures show that there is a growth in the total volume of trade with the advanced countries, since exports to those markets were up 25.5 percent, while imports were up 41.9 percent. The reasons for the further drop of exports to the bilateral

payments market should be sought in greater difficulties collecting for exports and also in the fact that a decision of the Federal Executive Council uses a basket of currencies instead of the U.S. dollar, as in the past, when it enters the bilateral payments dollar in accounts, and this has made imports from the bilateral payments area about five percent more expensive. Exports to bilateral payments markets are down eight percent, while imports are up about five percent. The most rapid growth of imports was recorded in imports of consumer goods, which are up all of 163 percent over the same period of last year. Payments for imported consumer goods amounted to \$1.3 billion. Imports of production supplies were up 12.5 percent and capital goods 20.8 percent, which is the first serious growth of imports of this product group.

GERMAN DEMOCRATIC REPUBLIC

Prospects, Procedures for Cultural Unification Reviewed

New Minister Interviewed

90GE0141A Leipzig LEIPZIGER VOLKSZEITUNG
in German 23 May 90 p 3

[Interview with Minister of Culture Herbert Schirmer by Bernd Locker; place and date not given: "Cultural Unification Knows No Rate of Exchange"]

[Text] [Locker] The international treaty which has been signed in the meanwhile has accelerated the pace of unification. What tasks and opportunities do you now perceive in this process for the ministry which you head?

[Schirmer] We regard German unification and the unification of culture to be one of the first important steps on the way toward European unification and culture. In this regard, we are in agreement with the concept of the recently organized first conference of all European ministers of culture in Palermo at which there was talk of a "mosaic of European culture" which is supposed to be composed of equal shares of national cultures in the future.

In a comparably shorter time frame, we want to dissolve our ministry as a centralistic relic of a past social order and transfer its responsibilities to the five federal *laender* to be created on GDR territory. However, it will continue to exist for a short time. Numerous conversations with associations and persons engaged in the cultural sector indicate that many people see the formally disdained ministry in a new light, since it reacts emphatically to the duality of social concerns and cultural-political needs.

By this I mean transitory solutions which are designed to prevent the occurrence of important caesuras at the intersection of the socialist planned economy and a socialist market economy. The 10,000 artists of this country need their opportunity, and our cultural infrastructure must be retained—an infrastructure which is, albeit, frequently desolate. Despite the struggle which surrounds the economic and currency union, the process of cultural unification deserves far more consideration than has been the case thus far.

[Locker] However, the idea of a cultural union as a fourth dimension of the international treaty could not be realized. Do you see any future possibilities for this move?

[Schirmer] I see an urgent need. Conversations on the topic have already taken place with FRG politicians and with the Austrian federal minister for culture. We not only want to study the Federal German model of cultural independence for the various *laender*, but also the Austrian model which represents an interim solution: a centralized ministry of culture and ministries of culture

in the individual land. It seems to me to be equally suitable as the more consistent form in the FRG.

[Locker] Temporary solutions are supposed to liberate artists from social fears, or at least to mitigate them. Are there already some practical results?

[Schirmer] In no event can we permit the all-German conditions in the GDR to create an army of unemployed among the free professional artists. This is currently the most important concern of the ministry and I have now also been able to win the Ministry of Labor and Social Welfare, the Ministry of Finance, and the Office of the Premier over to this cause.

The honoraria situation has been regulated. But the security of the precarious social position enjoyed by free artists is far more important: They are considered to be neither workers nor citizens who can apply for support. For two weeks now, a working group in the ministry has been dealing with unemployment support—for creative artists, authors, free theatrical artists, composers, and, primarily, entertainment artists. It is precisely the latter who, as a result of contract cancellations and the despotism of former socialist heads of cultural houses, are experiencing the greatest problems; many are already living off their savings.

We can organize social measures only for an interim period, at the end of which will be the social market economy with a free art market. This will impact on us with all its toughness.

Of course, additional solutions offer themselves. Thus, we are in contact with the minister of education with regard to the activities of artists in esthetic-creative areas pertaining to the schools.

[Locker] Difficulties could also arise in making the transition to cultural independence on the part of the *laender* which—like most communes—will be overburdened with infrastructure problems. Do you also perceive opportunities for support in this area?

[Schirmer] I see them primarily in the area of centralized subsidies. For the next few years, we consider ourselves to be intermediaries in this regard; we will offer partnerships and will provide recommendations and subsidies.

For this, we need time because, thus far, we only have theoretical ideas regarding models which exist outside. But we have been unable to develop a GDR model which would reflect the 40 years of artistic and cultural history of this country and of its artists. We must also support the future cultural officials of the communes and the *laender* and help prepare them for their activities.

We wish to distribute the subsidies as evenly as possible from the standpoint of substance and objectivity; yet we must take disproportions into account: a Land Mecklenburg/Vorpommern would require stronger financial support than, for example, Saxony.

[Locker] The Leipzig Document and Short Film Week was also financed by the state in the past. Now there are concerns regarding its continued existence, particularly since, in a unified Germany, two similar festivals—one at Mannheim and the other at Oberhausen, could be added....

[Schirmer] I am basically opposed to an organization existing to the detriment of the GDR and to having such cultural institutions or a film festival like the one of Leipzig eradicated from the agenda. We shall retain what is worth retaining and the Leipzig festival is certainly such an event.

How many festivals the future Germany can afford must be clarified in a different manner. All of these questions must be decided jointly, and in no event according to the Federal German dictate. After unification, Berlin would have three operas, two academies of the arts...and I also know of some proposals which would retain the West Berlin Szene and do away with everything which has become independently established over the 40 years in East Berlin.

In this regard, our self-concept at the ministry is different: As long as we exist—and it would seem that this will be for some time—fears of a cultural dismantling of the GDR are unfounded. The cultural unification of Germany will require some time—years!—a longer period of time than agreement on the Deutsche mark. A cultural union cannot be introduced on a given date. Here, the process will proceed differently—with parity.

This is not a question of the forceful conservation of a GDR identity. But 40 years of GDR cultural contributions should be perceived clearly as an equal portion of overall German cultural development and should be brought with pride into German unification. In this regard, we shall emphatically point out the honorable path because we have no reason to hide or to belittle ourselves.

[Locker] Everyday cultural life in our country is shaped by many differentiated and alternative forms at its base. Do you believe that basic culture can prevail in the face of the powerful advanced civilization?

[Schirmer] We must direct the attention of municipal politicians toward the fact that culture and art require a clear upgrading in the social market economy. Human existence is more stressed than heretofore as a result of the immense degree of technification which affects work processes. This requires equalization which promotes the creativity, the individuality of the individual. In other words, basic culture must be a focal point of future municipal political activity. Representative state culture will organize itself anyway, but groups, in which people will join so as to play theater, to dance, or to make music cannot forego support. In Berlin, the ministry is financing one such young theater group.

[Locker] Key word: theater. If a GDR citizen today pays 15 to 20 marks for a good theater seat, an FRG citizen must figure on paying 75 marks. How will prices develop here after 2 July?

[Schirmer] They will be somewhat in the middle. We want to restructure the prices of theater seats and also develop price-supported procedures for those who are socially weak—of whom we will soon have a great number. But premiere performances will, in the future, be much more expensive, as will, most likely, the seats in the first 10 rows.

[Locker] Is the impression correct that you are setting no priorities in many areas of culture, or hardly any priorities?

[Schirmer] It is correct. I mean, most of the attention should go to everyday culture, in which the arts are integrated, not in a "leading" position and not in a "subordinate" position. The value of the past was, for the most part, indebted to a state representation imperative which extended all the way through the draining of the mind.

In everyday culture—including the arts—the heterogeneous process of all cultural manifestations must proceed with as much equality as possible. It includes the creation of the environment and of the landscape, commercial culture, just as much as people's dealings with each other or the image of the cities.

In this regard, I am moved—for example—by the most recent problem of "monument toppling" in the GDR, which was dealt with in KENNZEICHEN D. It is useless to pass judgment on the artistic quality of our political monuments—or, if you will, our stigmas. I am thinking of the "head" in Karl-Marx-Stadt, the Thaelmann monument in Berlin. If I were to continue adding, I would keep coming back to two political artisans who found expression in plastic—the sculptor Tomsy and the sculptor Kerbel of the Soviet Union. I had a very friendly discussion on this topic with the Soviet minister of culture and found understanding.

We want to avoid such excesses as recently occurred at the grave of Brecht and Helene Weigel. And we must figure that even these public monuments will be defaced. We cannot approach with the hammer and we also cannot dismantle them and relocate them in some corner. We are close to a solution which could be described as follows: We would like to return these objects to the artists in an elegant manner.

In any event, they must disappear from our public rooms because they are false illustrations of a system which presents itself in a false manner. I also do not believe that the gentlemen who served as models for these statues could have been satisfied with such a form of representation.

FRG Adviser Profiled

90GE0141B Hamburg DIE ZEIT in German
18 May 90 p 22

[Article by Gabriele Riedle: "The Guardian Intends To Be a Ward—Volker Hassemer, Former West Berlin Culture Senator, Advises the New GDR Minister of Culture"]

[Text] Cultural people are overly sensitive. Since November, they have sat at countless discussion platforms in West Berlin and have contemplated deeply the question of what constitutes the specific identity of specifically GDR culture in contrast to the specific identity of the specifically German cultural nation. An intensive search was launched for that which is true, which is beautiful, and which is good in the crumbling neighboring state; very little was found. Everyone is clear about the fact that things are different with respect to GDR culture as compared to the culture of the FRG. Meanwhile, no one really knew what needed to be done. That is to say, other than the fact that, in matters of culture, the GDR must not be patronized. In other words: Sensitivity is the secret of success in this area.

But stop! There is yet another new word: "battle culture," as Volker Hassemer, the former West Berlin culture senator, discovered during one of these public discussions which dealt with the "still existing" two countries and the (not yet developed or always extant) German culture; battle culture is said to be not the fear of being patronized, but the capability to engage in the maximum possible degree of impertinence and intervention.

Since the beginning of May, Christian Democrat Hassemer is now the second prominent Western politician, in addition to former West Berlin economics senator Elmar Pieroth, who serves as a "personal adviser" to an Eastern minister: "I conduct myself like he does and then tell him what I consider to be conceptually and methodologically correct in view of the operating method of the ministry. I make no decisions, but I want to make him uneasy."

Volker Hassemer's ward is the new GDR minister of culture, Herbert Schirmer, who is two years younger than Hassemer and politically completely inexperienced. The publicist, cultural scientist, and head of the graphics collection of the state artistic collection of Cottbus achieved party office only after November in the Eastern CDU [Christian Democratic Union] and was elected state chairman for Brandenburg in March. Graduate penologist Hassemer, who has to be considered to be a member of the reform wing of the CDU, was a senator for urban development and environmental protection in West Berlin from 1981 through 1983 and, subsequently, until the change of government in the spring of last year was the culture senator for the Christian Liberal Coalition government. Since that government's replacement

by the Red-Green Coalition, he has again been environmental policy spokesman and deputy chairman of his parliamentary faction in the West Berlin House of Delegates.

Theoretician Schirmer and practitioner Hassemer met during the People's Chamber election campaign. The understanding that the GDR must "develop its own cultural policy in a democratic state" drove the westerner finally to provide some personal assistance—and specifically in the form of a "serving concept of collaboration," since culture is one of the few areas in which the GDR need not hide from the Federal Republic. And anyway, the concepts of "culture" and "nation" are not necessarily spontaneously united in Hassemer's head.

Of first importance is to restructure the ministry of culture which has hitherto been the concern leading enterprise with respect to cultural operations of the GDR and has been the political transposition instrument for outside cultural and artistic concepts to the brink of self-dissolution while the states and communes should be practicing taking on responsibility on their own: Cultural federalism is supposed to replace democratic centralism. At least, almost.

Whereas his Christian Democratic colleagues on this side, as well as on the other side, are currently outspokenly antiexperimentally inclined, Hassemer has discovered the GDR to be a testing field for a new cultural political order beyond the classical strong order of federalism: "From the central position, one can contemplate as to which factors in a future common Germany perhaps deserve to be worked on there centrally as well. The question is how this is then to be done from the organizational standpoint. But we are in a better position to test this in the GDR because the federal system is firmly in place in the Federal Republic." For a long time, for example, Hassemer has been complaining that the international representation of the Federal Republic suffers from the fact that there is no minister of culture. Yes, and he, Hassemer feels, would now soon be the only cultural politician with internal experiences and knowledge of both German-German sides....

Apart from that, Hassemer cautioned the Berlin all-party consensus to go slow: It is precisely in the area of culture, he says, that the opportunity exists for intensive and thorough rapprochement and because the wake of Western superiority, as it perhaps pertains to the economy or to technology, does not exist. And if the cultural sector were to assert its slowness, Hassemer believes, then this would homeopathically and by circuitous routes also pass to the totality of the society. At the same time, culture, as a method of remaining open, should also impact upon the thinking regarding the esthetics of change: "It is precisely when one regards the GDR that it becomes clear how little the topic of culture is defined in a society, how few occurrences in everyday life involve taste, care, love for shape and form. One need only think of the noncolors of automobiles."

While either a gold-digger mentality or a destruction panic prevail everywhere, Hassemer hues to the pious wish of "perception of a cultural-political authority while maintaining or even reestablishing village structures." And so he favors giving assignments to art students to plan supermarkets in various villages or to retain the typical type of highway configurations in the centers of communities even during expansion, knowing full well how "difficult and almost hopeless it is to inject such projects into the gears of the makers of reality."

In West Berlin, Hassemer was not undisputed as culture senator. After all, in 1987 he was responsible for the major spectacle of the 750th anniversary and, in 1988, for the "cultural capital of Europe." He received criticism from the left for "too much representative culture and too little promotion of the cultural infrastructure," he was criticized by the right for "too little representative art and too much avant-garde"—as he had allowed it to pass with respect to the hotly disputed Boulevard of Sculptures and particularly with regard to Wolf Vostells concrete Cadillac automobile sculpture. On the other hand, there had never been so much money allocated to culture as was the case in both of these years, something for which all individuals, from the opera manager through to the off-theater collectivists, are openly mourning for him in retrospect.

And it is precisely because Hassemer always perceives cultural policy to be a struggle against thrift-furious ministers of finance, the GDR cultural scene, which is threatened with financial ruin—be it ever so much beset with bourgeois troubles—is betting on the CDU westerner. In the final analysis, it would require someone, in the opinion of alternative cultural activists from Prenzlauer Berg, who would make the GDR people understand that now, despite everything, investments must also be made in culture—particularly since an art-minded bourgeoisie as a protective lobby is almost completely absent. And if the GDR society is already shamelessly squinting westward in terms of economic matters, then it should, if you please, allow itself to be told from there that that which is culturally beautiful is also part of the desired better life-style.

For many people, the actual minister of culture is already he who claims that he does not wish to be one: Volker Hassemer. And not Herbert Schirmer, not even though he will present his program sometime next week. And, again according to Hassemer, this program includes not only a one-to-one conversion of actor salaries, but also contract cancellations and an end to job guarantees for graduates of art academies.

But profane announcements are the responsibility of Schirmer.

Minister's Intent Examined

90GE0141C Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 31 May 90 p 35

[Article by Monika Zimmermann: "Out From the Reserved Areas"]

[Text] When Herbert Schirmer received the call some weeks ago to become minister of culture of the GDR, he was just engaged in single-handedly making his life more comfortable. The old rundown house in the country not far from Frankfurt/Oder, where he has lived for some time, was finally to receive indoor plumbing and would thus be elevated to the rank of a desirable "full-comfort residence." Now, the construction work on his own house is on hold; and instead, Herbert Schirmer is helping to build an all-German building. The potential dropout has entered politics. In his first program speech as minister of culture, Herbert Schirmer has now promised in particular to promote everyday culture and to see to it that the esthetically dilapidated GDR would become more beautiful and more livable. And he knows from experience that this work to improve the living environment must virtually begin at ground zero—for example, with more comfortable toilets.

After all that which has befallen culture in the GDR in terms of being patronized and being led by the nose by the state and the party, it must actually be surprising that those engaged in creating culture, as artists are popularly referred to in the GDR in terms similar to those used for normal workers, are now, following the turnaround, still prepared to voluntarily listen to a member of the government who was responsible for culture rather than giving themselves over completely to the unfettering of their own creative forces and opportunities. But precisely the opposite is the case.

How Things Are Expected To Continue

In view of the general insecurity brought about by the altered political situation, many are anxiously waiting to find out—even if they are not expecting new directives—how things are supposed to continue with respect to culture in the GDR—as though a minister of culture were responsible for that state of affairs and not they, the artists themselves. Now that the state power has withdrawn from the studios and publishing houses, from the stages and from the heads of artists, there are loud calls for this state. Although no one wishes to bring back the old censorship practices—although, as Christa Wolf recently remarked ironically, many an artist somewhat misses the censor as a secret addressee of his art. Primarily, however, the state, as has become customary, is expected to take care of the total security of the artists and, something which is spoken less loudly, is expected to see to it that those who were in the past afforded special importance as the "conscience of the nation" do not lose this importance during the process of the mixing of two societies in the near future.

And so, the new minister of culture did not speak to empty seats when he made his first public speech, but was certain to enjoy the broadest attention. All had come: authors and painters, filmmakers and theater people, singers and musicians. Those who were previously seen in the proximity of the allegedly powerful, but also those who had disdained this proximity thus far or who had not been admitted to that circle. All wanted to know from the new "master" of culture what it is he had to offer them. His speech was preceded by vehement public discussions and demonstrations which were intended to draw attention to the particularly miserable situation of artists in the unification process. And the situation is, indeed, wretched if one looks at the laws of the land or searches the provisions of the international treaty on currency, economic and social union for cultural aspects. Culture is virtually not mentioned. So it is open, now as before, as to which rate of exchange, for example, is to be applied to artists' honoraria when paid in East or West marks. No one knows how creative artists will be treated in future with respect to retirement or unemployment. There is no decent copyright law or a usable social insurance law for artists. Also, honoraria for pictures, for example, are not likely to be able to be determined any longer by size and topic, which has led, in the past, to making painted workers more expensive than painted flowers. But all of these are specific questions of existence which must also be specifically responded to. The minister of culture was able to promise that.

That which leads artists to perceive their situation as being extraordinarily bad and to so depict it is something else: In the GDR, artists were without a doubt among the privileged—even though many an artist had to struggle with the lack of party understanding and state suppression and may have had a different experience. Although the freedom of the arts ended where ideology began, the freedom of artists was nevertheless incomparably greater than that enjoyed by most other professional groups with which they had one thing in common—they fundamentally did not have to be concerned about their existence. Even freely creating artists were firmly cared for. But it is not only the view of this material security which compels many an artist now to perceive the prospects for market-economic relationships as threatening. Many artists sense that they also lived in a sort of artistic reservation, in which the much-invoked, but little-felt GDR identity was able to be brought to expression in the most convincing manner. In their reservation, the artists were secure against "foreign" competition. And even if they looked for competition on their own, say, in the Federal Republic, they received a GDR bonus which strongly mitigated this competition. All of this is now irrevocably over. But if this natural end of special GDR art—as is now being suggested—is actually the end for those artists who continue to live in the GDR, then it is likely not salvageable through the use of those protective zones and promotion measures which are now being heatedly demanded.

The new minister of culture, therefore, made it clear at the very beginning that he intended not to permit any "reservations." For his troubles, at the end of his speech which he deliberately gave in a museum—in a cultural conservation institution—he heard strong boos in addition to polite applause. But as a member of the CDU [Christian Democratic Union], Herbert Schirmer likely finds it difficult to diffuse the prejudices of critical and naturally progressively inclined artists with respect to the cultural policy of a more conservative party (views which, in the meantime, have also surfaced in the SED-damaged [Socialist Unity Party of Germany] GDR). In the present situation, everything is much more complicated: A minister of culture should expressly consider himself to be a conservator and protector of that which exists, he is supposed to prevent progress so as to protect that art which, at one time, emerged in the name of progress against its own destruction now that the emergence has taken another direction.

But even if there will be no reserved areas for GDR culture, the minister of culture promised to do everything within his power to "preserve" the unique GDR culture. It is to be preserved and documented. Whether GDR culture will thus, however, be buried in a museum with finality or whether it will continue to live—this is not a question which can be answered by a cultural politician. "I will take care not to intervene," is a sentence which Herbert Schirmer slips out quickly in a conversation if one asks, for example, whether managers will be discharged in Dresden or whether theaters are to be closed in Cottbus—a fear which is not pulled out of thin air in view of the utterly overpopulated, technically sick cultural institutions. But is this something which concerns the minister of culture in the central government in Berlin? Schirmer has not forgotten that he was only promoted to the position of minister of culture of the GDR on a temporary basis and can later hope to become minister of culture of one of the states, for example, Brandenburg.

It was here that, some months ago, he was elected CDU state party chairman at Windeseile—after he had spent several years wrangling with the party as a politically almost blank sheet of paper. Last fall saw the former freely creative art critic and Cottbus gallery head, therefore, more in the ranks of the "New Forum" citizen movement. And who knows, if, on 9 November, the day the Berlin Wall fell, he had coincidentally been together with Lothar de Maiziere and other reform-minded CDU members in a church in order to promote the rebirth of that party, whether he would be minister of culture today. Currently, careers in the GDR are being established primarily on the basis of coincidence and their durations are also dependent on coincidence.

A GDR minister of culture can still fulfill the manifold expectations for voluminous promotion and guidance measures with relative ease, since he cannot enunciate anything other than nice-sounding declarations of intentions at the present. And they do not cost anything, even though, as is the case with Schirmer, one sees oneself

both as a strong promoter of basic and everyday culture, as well as a guarantor for the multiplicity of established culture—a contradiction which always requires decisions in favor of one or the other side at the latest at the time funds are allocated. But the Ministry of Culture has no funds at its disposal, no one knows thus far what its budget will be, not to mention the amount of money needed in order to accomplish those "cultural obligations of the state" which Schirmer's predecessor, Dietmar Keller of the PDS [Party of Democratic Socialism] fitted into the Constitution shortly before the first free elections. After all, thus far, culture in the GDR was apparently available for free. And it is questionable whether the streams of money will take the kind of harmonious course with which Schirmer picturesquely describes the stream of German culture which was temporarily compelled to divide into two different, but equally significant streams by an island in history and which is now again flowing together.

To Take Care of Oneself

The new minister of culture announced that he wants to be "a partner, promoter, and defender of the arts." That is a cultural-political minimum program. Yet, the GDR does not now need a new full-bodied cultural program in which directives from above direct what is to be accomplished below. The artists will have to learn first how to take care of themselves. Then, a private sponsorship spirit must be awakened and a sense of responsibility for promoting local culture must arise in the communes and states to be established. And instead of immediately thinking of support measures for needy artists, it will be more urgent to install a taxation and social security system which is generally art-friendly and to also create prerequisites which would favor the establishment and expansion of culture. These include better work opportunities. Everywhere, there is a lack of studios or galleries—how should this be any different in a country where many a person has been waiting for an apartment for 10 years?

"Culture is what is being experienced," wrote Christa Wolf. Why then should culture be sentenced to death precisely in locations where life has its first chance to develop more splendidly—only because many a person is more interested in inside plumbing than a picture?

Acceptance, Treatment of Foreign Workers Viewed

90GE0142A Hamburg *DIE ZEIT* in German
18 May 90 pp 28, 30

[Article by Christian Tenbrock: "Hated Helpers: Along With Worry About One's Own Job, Anger Toward Foreign Workers Is Growing"]

[Text] One evening in late February some juveniles were chasing the black man. In the little Saxon town of Treuen, they blocked Mozambican Ilidio Moiane's way in front of the discotheque and demanded that he empty

his pockets. When he fled, they pursued the 23-year-old in a Trabant. At the very last moment, he was able to reach the safety of his home by jumping over a fence, Moiane recounts. With a soft smile and in a rather self-critical manner, the young man added that he failed to obey the rule according to which he and his 29 fellow blacks began to live very soon after their arrival in Treuen in October 1986: "Never go into town alone; perhaps they will beat you to death."

As early as in the summer of 1987, when hostility toward foreigners existed only in the capitalist FRG as far as the official GDR was concerned, a mob of more than 100 drunken Treueners gathered, after a discotheque brawl, in front of the home where the Mozambicans were living; screaming "Kick the blacks out" they smashed half a dozen windowpanes using empty beer bottles and rocks. The same happened again a year later. After that, the mood calmed down again somewhat, as Moiane recalls. But since the Wall came down last November and since democracy made its entry into the worker-and-peasant state, the Africans are again encountering a wave of racial hatred in this small GDR town, he reported.

There was widespread fear of unemployment in Treuen and vicinity and hostility toward the foreign guests grows with it. As soon as the market economy takes over, thousands of workers in the region, that depends on a mostly decrepit textile industry, will probably be out in the street. The foreigners should be the first to go, before the Germans get fired: "In the beginning, you helped us in our work but now there are too many of you," Ilidio Moiane quotes German fellow workers. "Perhaps that is their way of saying thank you." With a skilled-worker certificate in his pocket but also with the feeling that he was never really wanted, the Mozambican will return home this summer.

Many of the 85,000 "foreign workers" working in the GDR are meeting the same fate as Moiane. The "thick, gluey goo of international solidarity and friendship among peoples, which the SED [Socialist Unity Party of Germany] regime poured over all antiforeign stirrings, is now suddenly running thin," according to East Berlin IG-Metall [Industrial Labor Union of Metalworkers] spokesman Wolfgang Schuenke. "Where jobs are in danger, nobody wants to hear anything about solidarity any longer." The German workers, partly supported by labor union representatives, are threatening to go on strike in the enterprises in Berlin and other localities in the GDR if the guest workers are not discharged.

So far, 180 out of the 900 enterprises that employ Africans, Asians, Poles, and Cubans have already submitted discharge requests to the GDR Ministry of Labor and Social Affairs. Others just go ahead without any formalities at all and simply help themselves to get rid of the unwelcome guests ahead of time in violation of currently valid contracts: a linen factory in Auerbach near Treuen announced rather stonily to 60 Vietnamese employees that there was no work for them any more and exiled them to unpaid leave in their community homes.

The management of a construction materials company in Suhl Bezirk went one step further: 50 Mozambicans were sent home by plane with three months' severance pay. The guest workers in the Trabant plant in Zwickau are also beginning to feel unsure. "I do not know what will become of us; perhaps we will have to go back," was the fear expressed by Vietnamese welder Nguyen Vet Minh. One of his fellow workers asked whether it might not be possible to find work illegally in the Federal Republic or France. In Zwickau, more than 500 Vietnamese are threatened with unemployment or with a forced return to their homeland.

Not long ago, the politicians and the press of the socialist republic sang the praises of class-struggling solidarity with the guest workers in the GDR. Respect for the foreign citizen is a part of the "humanistic tradition and the values of the GDR's social system," said Egon Krenz, at that time FDJ [Free German Youth] chairman, in March 1989 in addressing the People's Chamber. In August of last year, the newspaper NEUE ZEIT rejoiced that "Vietnamese are making an essential contribution to supplying the population with modern clothing," that Mozambicans in a brown-coal strip mine "are guaranteeing a steady flow of supplies in any kind of weather," and that Angolans and Cubans keep on assembling trucks "quite a few of them they will see again later on in their home countries."

When all this was being said and written, foreigners were still highly welcome as workers in the GDR; East Germany was still a socialist paradise for the guests from overseas where they could earn good money and where they were able to buy goods that were hardly ever available back home. As early as the 1970's, tens of thousands of Poles and Hungarians came to the GDR in search of work and more skilled training. They were followed by Bulgarians, Yugoslavs, and Algerians. There was never any wage discrimination: to this very day, foreigners earn just as much as their German fellow workers for the same job.

The acute labor shortage was the most important reason for the East Berlin planning bureaucracy to look around for workers for the GDR enterprises also in Asia and black Africa since 1980. Vietnamese, Angolans, and Mozambicans "became a rationalization substitute," commented metalworker Schuenke. Because there was no money for the modernization of sickly enterprises, the plan targets put out by central headquarters could be met only by employing more workers. Men and women were hauled in from abroad to meet short-term bottlenecks. In the worst capitalist style, dozens of GDR firms hired Poles as temporary workers for a couple of weeks—a method which, in the jargon of the SED [Socialist Unity Party of Germany] economy, was referred to as "output importing." "We had jobs but we had no workers," recalls Gerhard Steinert, the personnel manager at the Stern-Radio VEB [state enterprise] in East Berlin, which employs 150 Vietnamese. As long as the foreigners helped meet the plan, it did not matter to enterprises, such as Stern-Radio, that a foreign worker

cost the enterprise about three times more a year than a German worker: it was not the state but the enterprises that had to supply the rental allowance, that had to fork over separation allowances, that had to shoulder the expenses for building superintendents, custodians, and interpreters, and that had to pay every worker from Africa or Asia for his airplane ticket to go back home once a year per contract term. In the case of the electronics firm in Berlin, these additional costs added up to more than M600,000 annually.

VEB Stern-Radio, which is now desperately fighting to survive, because no GDR citizen wants to buy its radios and recorders any more, therefore would like to get rid of the Vietnamese today, rather than tomorrow. In view of the fact that many of the 2,400 German workers are also facing pink slips, the mood toward the expensive guest workers has become "definitively irritated," Steinert reports. Nevertheless, he cannot throw the foreigners out into the street just like that.

There are detailed government agreements that regulate the work relationships in the GDR, which are limited to four to five years, for the 58,000 Vietnamese, 156,000 Mozambicans, 8,000 Cubans, and 1,300 Angolans. According to these agreements, no foreigner may be discharged ahead of time unless he violates "socialist labor ethics." Another thing that has been cast in concrete is that a Vietnamese is entitled to five square meters of living space, in other words, half a square meter more than the standard for a GDR criminal prison inmate. Another item that was settled was what the Asians would be allowed during their stay in the GDR to send their families back home; the latter are forbidden to come and join them in Germany: 50 percent of their net wages earned during five years, duty-free in the form of goods, including five bicycles, two motorcycles or motor scooters, two sewing machines, and 150 meters of fabric but no more than six packages per year.

East Berlin and the enterprises decided where the guest workers were to be employed. According to Almuth Berger, the GDR Government's special assistant for foreigners, the result of this regulation is that "quite a few companies assign Vietnamese and Angolans to the dirtiest places with the worst health hazards where no German wants to work any more."

Nevertheless, to foreigners, such as the Vietnamese Nguyen Lanh Binh, who is employed by a Berlin construction enterprise, the GDR is a "good country." For Nguyen and his three fellow workers, with whom he shares a two-room apartment in a ghetto-like concrete housing development along East Berlin's Falkenbergerchaussee, the job in East Germany was the Hanoi regime's reward for their services in the Army, partly in the front lines in Kampuchea. Other Vietnamese reportedly paid stiff bribes to get out of their homeland which is beset by more than 6 million unemployed and abject poverty. Even after a deduction of 12 percent from the wages, that flow directly into the coffers of the government in Hanoi, as a rule they make more per month in

the GDR than they would earn in two years in Vietnam. The apartment of the four ex-soldiers also reflects their newly-acquired wealth: smack in the middle of the room stands a brand new motorcycle and in the cabinets, which serve as room dividers, they keep stacking up radios, video recorders, and coffeemakers. The buying sprees of the foreigners made for bad blood among the GDR population which suffers from supply shortages. Housewives—as recalled by Baerbel Oehlmann, who works for the Technical Textiles VEB in Treuen—were indignant “at Vietnamese women who would drag chickens or pork away by the pounds.” Mothers were simply furious when the store clerks told them that the short little Asians had “bought up all of the highly-subsidized children’s clothing.” Bicycles, motor scooter tires, and even customs declaration forms for sending packages abroad from time to time were simply unavailable in the entire kreis—and again and again “the foreigners” were blamed, not the GDR economic system that produces planning failures.

But this fury did not lead to protests addressed to the municipal administrations or ministries in East Berlin which kept ordering laborers to come in from abroad without ever really realizing that people from other cultures and with other needs would be arriving. Increasingly, the GDR citizens resorted to self-help: “There are no more motor scooters for Vietnamese,” a sales clerk tersely dismissed Berlin construction worker Nguyen Lanh Binh. In Schwedt an der Oder, the mayor decided that purchases of materials and fabrics would be rationed for Asian customers; in the city’s department store, Germans spat upon Vietnamese women. GDR newspapers reported that irate customers were taking merchandise out of the shopping baskets of foreigners and put it back on the shelves.

Latent xenophobia—according to a survey by the East Berlin Central Institute for Youth Research, one out of every four GDR juveniles has prejudices against foreigners—compounded in the form of ever worse excesses: along the fringes of the Leipzig Monday demonstrations, right-wing radicals announced that guest workers should “not be gassed but simply sent home.” In April, a Pakistani, who had been beaten up by a GDR citizen, died of his injuries; skinheads from the Federal Republic and the GDR, on the express train between Erfurt and Berlin, joined in going after a Vietnamese who was able to save himself only by clinging to the high-speed train on the outside.

There is widespread resignation not only among foreigners but also among those who could help the guest workers in view of the pogrom mood prevailing in quite a few places. “Social anxieties prevail; it is everyone for himself,” is the way Hajo Richter, the Chemnitz IG-Metall district chairman, describes the mood among the 250,000 metalworkers who are organized in Saxony. “Regardless of whether they are handicapped or foreigners—their German fellow workers could not care less about them.” Because the labor unions during the coming months, in the fight for the preservation of jobs,

will suffer the “worst defeats,” according to Richter, solidarity toward the guest workers could be nothing more than “just empty words.” The best way to move against xenophobia in the enterprises would be to stage vast employment and subsidy programs that would equally assure both guest workers and Germans of their jobs, the labor union official commented. At the same time—according to Juergen Schroeder, the department head in charge of matters concerning foreigners in the Berlin Labor and Social Welfare Ministry—the enterprises would have to be relieved of having to pay the additional costs resulting from the presence of the foreign laborers. “The state has just as much of a duty” to take care of this as it has the duty to pay unemployment benefits also to discharged Vietnamese, Angolans, or Mozambicans.

That thousands of guest workers during the coming months will at least temporarily lose their jobs and will in some instances have to go home is something that is a fact of life also for Almuth Berger, the lady in charge of matters concerning foreigners in the GDR. “We will not be able to prevent that. What we do want to prevent are violations of currently applicable law.” Probably out of fear that his fellow countrymen might be excessively infected by the bacillus of democracy, Fidel Castro has already announced that all Cubans would be withdrawn from the GDR by 1991. Just this week, East Berlin amended the government agreement with Vietnam: work contracts are now being cut back by one year down to four years. Vietnamese, who become unemployed during that time, may try to get a job individually and may also apply for a business license. The GDR will probably negotiate a similar settlement with Mozambique.

But Almuth Berger wants to go further: for foreigners, who want to go home, there should be severance pay and the government should pay for their transportation; for those who remain in the GDR, there should be unemployment benefits and help in looking for apartments and new jobs. The goal here is to enable every guest worker to enter into individual work contracts. But to do that, the laws governing foreigners in the GDR would have to be completely revised. There is reason to doubt whether the interior ministers in Bonn and in East Berlin would agree to provisions that, for example, would allow several tens of thousands of Vietnamese to bring their families to Germany—assuming they want to stay there in the first place and assuming the communist regime in Hanoi allows them to do that.

“We must prepare the people of the GDR for living together with foreigners,” Almuth Berger commented undaunted. In the opinion of ministry official Schroeder, the quality of relationships with Asians and Africans is even “a yardstick of the development of our democracy: from ‘kick the foreigners out’ we quickly might move on to ‘kick the dissidents out.’” Ildio Moiane’s judgement on that score is quite clear. He would not stay here even

if he were allowed to do so. "Friendship," the Mozambican said in summarizing his experiences after five years in the GDR, "was merely theory. There are many nasty people in Germany."

New Statistics Bureau Said Aiming for Reliability

90GE0142B Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 30 May 90 p 19

[Article signed "Jl.": "GDR Statisticians Intend To Provide Reliable Information"]

[Text] Berlin, 29 May—GDR statistics are striving for reliability and international recognition. For example, the economic indicators on production, employment, and foreign trade, published shortly after the big change, are no longer, as in the past, questioned "as a matter of basic principle" by experts in the Federal Republic. The reason for this is to be found in a "radical break with past plan fulfillment reporting and introduction of up-to-date economic situation statistics in agreement with economic reforms." Statistics in the GDR of today are intended "to support" the radical social and political change, the democratic government of laws, as well as the "transition from the command economy to a socially and ecologically oriented market economy." That is what is stated in the cabinet resolution which has become the mandatory working foundation for the Statistics Bureau of the GDR that emerged from the State Central Statistics Administration.

The goal is to work out the kind of statistics that can be compared to the Federal Republic and to international organizations, such as the EC. The Wiesbaden Federal Statistics Bureau wants to help with this. Since the end of March, there has been a "German Statistics Working Group" in West Berlin which is to support the buildup and organization of a comprehensive information system in the GDR. The acting director, Oswald Angermann, did, of course, admit "considerable start-up difficulties" when it comes to coordination. In the mean time, however, "things had fallen into place." Angermann feels that contacts with the colleagues in East Berlin are "very good." Apart from regular meetings, there is now a daily exchange of information handled via couriers.

Angermann believes that it is a matter of the utmost importance to reduce the entire system, the concepts, and the description of methods to the most common possible denominator. The signing of the state treaty on the currency and welfare union, he noted, above all means that comparable statistics, for example, on employed and unemployed people, on private development, industrial production, sales volumes, foreign trade, and retail trade, would have to be developed as quickly as possible. Furthermore, one must think of building an overall national economic balance sheet, of surveys on housing construction, on the housing industry as such, and the credit industry.

Deliberations on the individual specialized areas of statistics are to be merged in Berlin. It has been planned soon to involve the statistics bureaus of the federal laender in this coordination effort; but those land statistics bureaus should establish contact with GDR agencies on their own. Angermann feels that the statisticians in East Berlin are "cooperative colleagues," "seasoned experts," who are working "full-steam" in tackling their new tasks. Until the contacts have become routine and until cooperation is smooth, Angermann thinks, the working group might still have some tasks to accomplish in Berlin roughly by the end of the coming year.

Under the SED [Socialist Unity Party of Germany] regime, GDR statistics constituted a government-manipulated instrument that was employed mostly to check on the plan and on production. Most statistics were intended exclusively for planning and management purposes, not for the public. "Only a privileged group of government and economic officials had access to information and thus had a monopoly on information," says Gerhard Heske, department head in the Statistics Bureau of the GDR. The party and the government exploited statistics for propaganda purposes and to build "Potemkin villages." The foreword of the Statistical Yearbook of the GDR for 1989, issued in June of last year, still contains the following passage: "For its anniversary celebration, the GDR appears as a politically stable and efficient socialist state with a modern industry and agriculture, with blossoming science and culture."

Following "the big change," experts in the Federal Republic feel that the chances are good for getting reliable and comparable data in the future—provided the initiated reforms are carried out consistently and quickly. What is particularly welcome is the intention to supply comparable time series for economically important indices also for years past. The submission of statistics concerning the utilization of the national product from 1980 until 1989 is considered to be an "initial attempt" along these lines. In comparing these nominal figures, it is striking to note that the overall increase and in the case of private consumption, with about 40 percent, might have been roughly the same in the GDR as in the Federal Republic. On the other hand, the GDR figures show a somewhat greater increase for investment in plant and equipment and government consumption.

This means that the GDR for the first time deviated from the concept of the "produced national income." This conversion is only in its beginnings and that becomes clear in the light of the fact that the utilization account shows the concept of "gross domestic product" (1980: 245, 1989: 353 billion marks). According to the system used in the Federal Republic, this would have to be the "gross national product"; the gross domestic product is calculated here in connection with the origin and development of value added. The concept of "gross accumulation," as used in GDR statistics, presumably is

intended to describe "gross investments" (investments in plant and equipment and changes in stockpiles and inventories).

Statistics on Demographic Changes, Social Profile Given

90GE0142C East Berlin NEUE ZEIT in German
31 May 90 p 3

[Article by "c.o.": "Leisure Time Is Only of Slight Value—New Data and Facts on the Social Question in the GDR"]

[Text] The objective living conditions do not tell us anything yet about the subjectively perceived lifestyle of the citizens which includes values and needs, thinking, acting, and feeling. When, in November 1989, the People's Labor and Welfare Policy Committee recommended the preparation of an analysis on the social situation of the GDR population, the staff members of the Institute of Sociology and Welfare Policy of the Academy of Sciences of the GDR tackled this undertaking with the goal of enriching available statistical material—which so far has not been published—by means of an empirical investigation on the social well-being of the GDR citizens. Interviewing 1,500 persons in all age groups and skill categories from various territories, it was possible to record the voice of the people so that the assessment of lifestyles and living conditions was not left to the experts.

Under the overall editorship of Institute Director Prof. Dr. Gunnar Winkler, there sprang forth a rather respectable tome with "Daten und Fakten zur sozialen Lage in der DDR" [Data and Facts on the Social Situation in the GDR] (DIE WIRTSCHAFT Publishers; the publication went to print on 28 February 1990). In 13 chapters, the statements comprise a balance sheet, as it were, on the population figure, on education and labor, income and consumption, living habits and styles, environment, health, social security, recreation and culture, family, participation in society, the administration of justice, as well as the living conditions of selected groups.

The population of the GDR has been declining since the country was founded. The continuing population losses of a country over the entire period of its existence is considered to be a unique situation in the world. Compared to 1950, the population declined by 2.02 million persons. In 1989, 343,000 people left that country. The share of foreigners in the GDR currently amounts to 1.1 percent.

Changes in the education and employee structure are believed to be extremely necessary against the backdrop of demographic development. On the basis of statistics, there is doubt, for example, whether the GDR has the necessary scientific cadre potential. The share of "intellectually active persons" among those working in the economy as a whole comes to 10.2 percent. "Scientific achievements appear like a miracle, considering the deficiencies in matching this group up with the rest of

the country." On 30 September 1989, the number of employed persons in the GDR came to 8,547,349 (48.9 percent women). This number shrank by about 400,000 as a result of people moving to the FRG. So far, unemployment resulting from the political upheaval particularly affected women, workers over 50, young college graduates, social scientists, specialists in the engineering occupations, handicapped, and social outsiders (alcoholics, released prisoners).

New possibilities of fashioning the labor situation cannot be brought to bear to the degree necessary. Only 18.4 percent of the employees believe that their output capacity is indeed fully utilized with the help of new technology. On the other hand, 3.4 percent of those interviewed feel that they are overburdened. Only 48.3 percent think that the level of organization of their work is below expectations. On the other hand, there is a definite increase in the psychological nervous stresses resulting "both from shortcomings in production and work organization and from increased mental performance requirements, as well as attention and memory performance."

High Sickness Level

Between 20 and 40 percent of the sicknesses are work-related. Noise that damages hearing, physically heavy labor, and whole-body vibration are among the top stress factors in terms of frequency. Representative studies in 180 enterprises of Dresden Bezirk tell us this: "The equipment of work stations, as well as production and rest areas has deteriorated qualitatively to the point where health-damaging effects (growing sickness rate resulting from shoulder-arm syndromes and spinal column complaints), decreasing identification with the work place, and productivity losses must be recorded."

The social upheavals in the GDR, as well as the constant movement of citizens from the GDR to the FRG, it says in the social report, mostly "are caused by growing dissatisfaction with their income, the feeling that salaries are not in keeping with performance, as well as declining possibilities of making a decent income." In 1988, production workers on the average earned monthly gross wages amounting to M 1,110. Top wages were earned in the coal and energy industries while bottom earnings were recorded in light industry (M 1,017). Compared to their male colleagues, female production workers in industry and in the construction industry draw 12 percent lower comparable net wages (excluding wage allowances).

The high price terms and the low supply situation in terms of consumer goods and services influenced the per-capita consumption of essential and nonessential foods. Of course, losses of foodstuffs in industry and commerce, during transportation and in individual households are relatively high. Studies in the middle of the 1980's showed that 46 percent of the vegetables and 32 percent of fruits were not used ultimately for nutrition due to inadequate processing capacities. In the case

of edible potatoes, losses amounted to as much as 69 percent, corresponding to subsidies of about M 280 million. In the case of bread, losses came to 29.6 percent with a subsidy expenditure of about M 168 million; it was fed to the animals or it wound up in household refuse.

27.6 Square Meters Per Inhabitant

The supply of the citizens with living space is currently guaranteed rather extensively. In 1989, the housing inventory came to approximately 7.08 million apartments for about 16.3 million citizens. At that same time, the number of households came to about 6.6-6.7 million. On the average, the residential surface area per inhabitant comes to 27.6 square meters (including adjoining rooms). With a housing supply rate of 430 apartments per 1,000 inhabitants, the GDR is among the leading countries internationally speaking. There are phenomena of underoccupation (older citizens in large apartments, second apartments for single persons) and often apartments are allocated not in keeping with family needs. These tendencies were accentuated in recent years by low rents and rising subsidies.

There is growing sensitization among the GDR population concerning the state of the natural environment. Good environmental quality is very important or important for 98.1 percent of those questioned.

In 1988, the total emission of sulfur dioxide came to 312 kg per inhabitant or 48.1 tons per square kilometer. This means that the GDR is first among European countries with high emission figures (Finland, Poland, Hungary, the CSFR). Besides, the GDR is among the industrially developed countries with the tightest water inventory. Measured against the worldwide average (about 11,000 cubic meters per inhabitant and per year), the GDR only has a water supply of 1,085 cubic meters per inhabitant and per year. Of that amount, 45 percent are taken up by water utilization during years of average precipitation while, during dry years, the figure is already 90 percent.

The sickness rate, disabilities, the mortality rate, and causes of death give us an insight into the health situation of a nation. Accidents, tumors, cardiovascular ailments, as well as diseases of the respiratory tract and the digestive systems are the main causes of death in the GDR to the tune of about 90 percent. The constant increase in cases of alcoholism already among young adults constitutes cause for concern.

As for recreation, the investigations, compared to earlier surveys, indicate that free time is less significant as a result of noticeable changes in living conditions, the worry about the preservation of various social gains, and confused ideas about future developments.

HUNGARY

Trade Union Recreation Directorate Declares Independence

25000740G Budapest NEPSZABADSAG in Hungarian
22 May 90 p 4

[Article by Andras Sereg: "Who Will Vacation Next Year (in an Organized Fashion)? Trade Union Scandal: Coup and Suspension"]

[Text] The recreation and health resort chief directorate of the National Association of Hungarian Trade Unions [MSZOSZ] held a press conference yesterday afternoon at the headquarters building of the association. Better said, it was not the chief directorate that held the press conference, but the directorate's managing body. The leaders of trade union recreation declared in a letter last Friday that henceforth they no longer recognize the authority of the MSZOSZ, and further, that an independent trade union is formed to represent the interests of workers employed in the recreation field.

The open letter is addressed by its authors to the new government and to the trade union membership, and states among other matters that the recreation situation has become so critical that even the preservation and operation of property has been endangered. The dramatic appeal claims that this year's budget of the directorate shows a 100 million forint deficit, which in and of itself threatens the possibility of keeping several recreational facilities open until the end of the year. The managing body holds the trade union association responsible for the situation because, as they stress, the association is dragging out and delaying decisions, thus endangering the unified recreational property and with that the interests of employees. While branch trade unions demand that the property be distributed, enterprise and institutional recreational facilities are being discontinued and auctioned away one after another. According to the open letter: Not only the maintenance of the MSZOSZ recreational organization is at stake, but the entire social policy system, and through that the existence of trade unions.

Andras Penz, a member of the managing directorate declared at the press conference that every employee has a right to recreation, irrespective of which trade union or workers council he belongs to. "This is why we demand that the recreational property worth between 25 billion and 35 billion forints be immediately placed under state administrative supervision," according to Penz, who did not deny that by taking this radical step they also want to create an impact on the new government. "Low cost recreation will become impossible if no quick decision is reached," Penz said.

Between two questions asked by journalists, MSZOSZ spokesman Attila Balint, seated in the audience, explained that the federal council of the MSZOSZ most recently postponed the discussion of this matter to its 31 May session because it did not want to render a decision

prior to the trade union roundtable negotiations that begin this weekend. He conveyed the position of the presidium according to which the steps taken by the chief directorate make more difficult rather than help an evolving dialogue. Thereafter the spokesman announced that chairman Dr. Sandor Nagy had not only launched an investigation on Monday in regard to the open letter, but, effective immediately, suspended director Penz and appointed Dr. Andras Szabo in his place.

Regarding the announcement, Penz said that although the MSZOSZ appointed a new director, there already exists an 11-member managing body which heads the recreation directorate and its institutions.

Another press conference will be held today in regard to the recreation issue. At that time the MSZOSZ will present its views about the developments.

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